

Seiko Group Corporation

- ◆ FY2025 Q3 Financial Results Briefing: Q&A Summary
- ◆ Date: February 12, 2026 (Thu) 10:30–11:30 (Held online)
- ◆ Respondent: Taku Yoneyama, Director and Executive Vice President

Summary of Q&A

[Consolidated Overview]

Q1. You mentioned that advertising and promotional investments will increase in Q4. Please explain the content, scale, and expected timeline for the results.

A1. Because our business performance has been quite strong, we decided to increase advertising and promotional investments in Q4. In the Watches Business, we will roll out global promotional activities leading up to the April start of *Watches and Wonders Geneva 2026*, the world's largest watch trade fair, while also strengthening advertising efforts in the domestic market. We view the current strong momentum in both domestic and overseas markets as an excellent opportunity for proactive investment, with the aim of enhancing brand value both in the next fiscal year and over the longer term.

Q2. You have already significantly exceeded your operating profit target for FY26, the final year of the current mid-term plan. What are your plans beyond that?

A2. This fiscal year has been progressing extremely well, and we are performing far ahead of both the current mid-term plan and our earnings forecasts. In the next fiscal year, we expect operating profit to exceed 29.0 billion yen.

As you point out, our current mid-term management plan will be coming to an end soon, and we have already begun discussions about the contents of the next mid-term plan, which will start in FY2027. We view the coming fiscal year as preparation for that next 5-year challenge.

We are continuing to review the business portfolio of the Devices Solutions (DS) Business. We are also considering other areas where reorganization may be necessary, and plan to make upfront investments in priority themes. Through these and other steps, we aim to establish a strong foundation for the next mid-term plan. Consequently, the coming fiscal year may see a number of front-loaded investments.

Q3. SMILE145 established the MVP ratio as a KPI. However, despite strong business performance, the MVP ratio does not appear to have improved significantly year-to-year. What is the reason for this, and do you think the MVP ratio is really an effective KPI?

A3. In the Watches Business, MVP products are defined as Global Brands (GB). The growth of these brands directly contributes to profits and improves the gross profit margin.

The current mid-term plan sets a target MVP ratio of over 85%, which is obviously a high target. Although the current level is around 75%, GB continues to expand steadily. The gross profit margin of the Emotional Value Solutions (EVS) Business, which includes the Watches Business, has been improving by at least one percentage point each year, which demonstrates the effectiveness of our GB strategy to focus on rolling out unified products and promotions worldwide.

One factor that has slowed the rise of the MVP ratio is that sales of non-GB brands have increased. For example, Lukia, a women's brand that had struggled in the domestic market, has returned to growth.

Seiko GB contributes to profitability by increasing the share of mechanical watches that are manufactured in-house. In addition, in line with these products focus, we have implemented manufacturing reforms, such as improving production efficiency and reducing costs, thereby improving both productivity and profitability.

The MVP ratio has not improved in the Devices Solutions (DS) Business because DS has not yet developed a sufficient lineup of high-profit, highly differentiated products. As a result, that segment's gross profit margin has not improved, and although operating profit has recovered to 3.0 billion yen, it remains far below the final target level of our mid-term plan.

We are currently redefining what constitutes an MVP product in the DS Business as we begin to develop our next mid-term plan. We are seriously considering how to build a product lineup that contributes to profitability, competitiveness, and market expansion.

For these reasons, although we did not hit our initial MVP targets in the first term where we employed that benchmark, we still view the MVP ratio as significant and closely linked to our business growth.

[Watches Business]

Q4. The recent upward revision in the Watches Business was very significant and seems to be based on a recent upturn in sales and profits. In particular, Q3 performance was a big change from the lackluster first half. What conditions led to the sudden rise in Q3?

A4. Up to Q2, the domestic market seemed to be stagnating, with Q2 in particular being weak. Domestic demand was soft, and Seiko Global Brand (Seiko GB) growth slowed, partly because it had expanded significantly in the previous fiscal year. However, in Q3, both domestic demand and inbound demand recovered strongly.

Although the number of Chinese tourists did not increase due to geopolitical issues, the impact on Grand Seiko (GS) was limited, and domestic sales remained strong. Overseas markets also saw a recovery in GS. In the U.S., GS went through a difficult period due to the slowdown in the luxury market, but then began to recover. With consumer spending remaining strong, the overall luxury market moved in a positive direction, supporting strong growth for GS. Seiko GB and non-GB brands also maintained the strong momentum seen in Q2.

In summary, we saw strong Q3 performance in both the domestic and overseas markets across our entire lineup — GS, Seiko GB, and non-GB brands — which contributed to substantial increases in sales and earnings.

Q5. Was the improvement from Q2 to Q3 driven more by the uptick in Seiko GB, or by the recovery of GS?

A5. In fact, both lines played an important role. Seiko GB softened during the summer in the domestic market, but recovered in Q3. GS also had a weak Q2 domestically, but performance improved significantly in Q3, particularly going into the year-end sales season. Overseas, both GS and Seiko GB continued to perform strongly. We see this as further evidence of the effectiveness of our campaign to expand the market for our mechanical watches.

Q6. Could you explain a bit more about what drove the strong Q3 performance in the Watches Business? Specifically, how much was due to pricing — including any price increases — versus underlying unit volume? Please explain the contribution of volume versus pricing.

A6. Certainly. Both factors played a role, but the key was pricing. In general, the price range of all our products has expanded, particularly in overseas markets,

resulting in an increase in the average selling price. For Seiko Presage and Seiko 5 Sports, both retail prices and unit volumes grew solidly. GS prices are now moving up from the ¥500,000 range toward the ¥1 million level. For Seiko GB, we feel it is extremely important to boost prices to the ¥300-¥400,000 range. We will strengthen global promotion of higher-end products such as the ¥400,000-class King Seiko VANAC.

Q7. In the domestic Watches Business, could you break down Q3 growth into domestic vs. inbound demand? In addition, could you further break down inbound demand to show what percentage was accounted for by Chinese tourists? How do you foresee that consumer segment performing in the coming fiscal year?

A7. In general, inbound demand has been holding steady at around 15% of total sales; however, we believe the ratio was even higher during Q3. Domestic demand was also very robust towards the year-end sales season.

It is clear that inbound demand for Grand Seiko was particularly strong in Q3, but the Seiko GB category is so broad that it is difficult to calculate the inbound ratio precisely. We can say that demand from Chinese tour groups at mass retailers declined, but the impact on total inbound demand was limited.

Regarding the outlook for inbound demand going forward, the number of Chinese tourists is still declining, but the total number of visitors to Japan has continued to rise, largely due to increases from Southeast Asia and India. Our initiatives under the GB strategy are contributing to higher brand recognition, particularly for GS, in many countries. This marketing effort is contributing to sales in the Japanese market as well.

While we cannot assume that inbound numbers will increase indefinitely, we are certain that a greater percentage of tourists are now aware of GS and other Seiko brands, and this should underpin inbound sales for years to come.

Q8. What specific types of investments will you be making? For example, brand investments normally generate strong returns and are well regarded by the market. Do you have any plans to expand overseas boutiques or directly operated stores? What other kinds of investments are you planning?

A8. To position GS as a truly global luxury brand, we will invest in both manufacturing and advertising. We are also beginning to prepare for a major global expansion of Credor. At *Watches and Wonders Geneva 2026*, Credor will have its own dedicated booth separate from GS. We intend to allocate significant investment

to build and enhance its value as a luxury brand. We will also continue expanding directly operated stores, selecting countries and regions carefully based on market conditions.

[Devices Solutions (DS) Business]

Q9. The DS Business performed strongly throughout Q3, but it seems certain that the surge in silver prices will negatively impact Q4. Could you explain how you are responding to the higher costs of silver oxide batteries?

A9. As you noted, the DS Business has been performing well, but Q4 is when the impact of soaring silver prices will hit. Although sales of silver oxide batteries remain strong, silver prices reached ¥600,000 per kilogram between December and January, far exceeding our estimate of roughly ¥150,000 per kilogram in our budget planning last March. The impact of inventory we purchased when prices peaked will likely dampen profitability, not only in Q4, but into the early part of the next term.

However, silver prices have begun to stabilize a bit, and we are in discussions with our business partners regarding pricing. As a result, we expect profitability to gradually recover as we move further into the next fiscal year.

As one response to the situation, in January we implemented a substantial price increase for silver oxide batteries supplied externally for wristwatches. Other manufacturers followed suit, so we have not seen a negative impact on sales. We are confident that sales of silver oxide batteries will continue to grow, and we are making capital investments to prepare for future demand.

Q10. Please explain the details of the impairment loss recorded in the Precision Devices Business.

A10. The impairment is related to the business portfolio transition at our plant in Thailand and reflects our shift away from products for hard disk applications. Thailand remains an important manufacturing base for precision devices, and while maintaining its core functions, we will continue with the transition to the new portfolio.