Seiko Group Corporation

FY2026 Q1 Financial Results Briefing: Q&A Summary

Date: Monday, August 10, 2026, 10:30–11:30 (Held online)

Respondent: Taku Yoneyama, Director and Senior Executive Vice President

Summary of Q&A

Part I - Watches Business (EVS)

Q1. In Q1 you explained that capacity utilization rates were running at high levels, which left little room for production capacity expansion. And yet, sales of both Grand Seiko (GS) and Seiko Global Brands (Seiko GB) grew very strongly in the quarter. Can you explain what contributed to this strong sales growth?

A1. In fact, we were close to the upper limit of our production capacity in Q1. However, we still had some inventory carried over from the previous fiscal year, and by using that stock efficiently, we were able to increase total shipment volume. For Seiko GB, we operated both domestic and overseas factories at full capacity, which underpinned this strong sales growth. For GS, although overall volume increased, production for certain products could not keep pace with demand. To strengthen our production system, we are bringing forward capital investments, in particular, prioritizing the expansion of movement production capacity.

Q2. Could you explain the Q1 sales growth in terms of changes in volume and average selling price?

A2. In the domestic market, both sales volume and average selling price increased, driven by extremely robust performance in high-end products such as GS. However, in overseas markets, volume growth was more prominent due to rising demand for mid-price brands such as Seiko Presage and Seiko 5 Sports. The average selling price in overseas markets remained flat or, in some cases, trended slightly downward, which we view as a positive indicator of a broadening customer base.

Q3. We noticed that sell-in was very strong in Q1. Could you say something about the level of sell-through and current inventory levels?

A3. Sell-through has also been extremely strong, performing at a level equal to or exceeding sell-in. Retail inventory remains tight, particularly for best-selling items where supply is struggling to keep up with demand. We have not been able to replenish retail stocks of some particularly hot items, such as the GS Spring Drive models and certain Seiko 5 Sports models. The US market has been performing especially well, which means that retail inventory is quite tight. We are focusing our production increases on popular items in order to prevent shortages of our best-selling products.

Q4. In Q1, domestic GS sales showed a remarkable year-on-year increase of almost 50%. What were the factors behind that increase, and is it sustainable?

A4. The sharp year-on-year growth figure you mentioned was partly a result of differences in product launch times. In the last fiscal year, we launched new models, such as the GS Spring Drive U.F.A., in July, which is part of Q2. This fiscal year, we launched new models, including the Spring Drive U.F.A. Ushio 300 Diver, in June, which is part of Q1. Because of that disparity, year-on-year growth in Q1 looked more substantial than it really was. However, even excluding the impact of this timing difference, GS sales still achieved impressive growth in the mid-30% range.

Regarding sustainability, pure domestic demand has been recovering since last autumn, and is now much stronger. Inbound tourists are showing even more interest in our lineup than before, and targeted purchases of GS products are on the rise. We expect these two pillars—strong domestic and inbound demand—to support steady growth for the rest of this term. Barring unforeseen problems that would restrict inbound tourism, we believe that growth will continue into the next fiscal year as well.

Q5. Could you share details about changes in the customer profile and the expansion of the target customer segment?

A5. We are steadily expanding our customer base both in Japan and overseas, and acquiring new customer segments as well. In the US market, we attracted younger customers by strengthening our lineup of GS quartz models. As in Japan, American customers increasingly see their watch as a "personal identity statement;" they often start with an entry-level quartz model, then step up to a more sophisticated Spring Drive or mechanical model. We expect this same trend to spread to other regions. In Japan, GS ladies' models are attracting more female customers, which is something we have long hoped for. Looking at Seiko GB, younger generations are becoming more aware of the appeal of mechanical watches, and Seiko 5 Sports has been the major beneficiary of this trend. In general, sales are performing well not only at department stores, but also at regional specialty chains and shopping malls, expanding our overall customer base.

Q6. Your outlook for the Watches Business from Q2 onward seems quite modest considering the momentum you generated in Q1. What assumptions were used in formulating this plan?

A6. The main reason that our Q2 through Q4 forecast appears conservative is that we have factored in potential supply shortage risks stemming from our tight production capacity. We are also taking into account the possibility that the pace of growth may moderate, given the significant increase in sales since the second half of the previous fiscal year. On the other hand, underlying demand remains firm, and global demand for both high-end products and mid-range mechanical watches is extremely strong.

Therefore, if we are able to significantly boost production capacity, there is ample upside potential. At this stage, however, we will stay true to form and maintain a relatively conservative outlook.

Q7. Regarding the plan for approximately 10% year-on-year growth in full-year sales for the Watches Business, could you give us an idea of your assumptions for sales volume and average unit price?

A7. For the full year, we expect growth to be driven by roughly similar contributions from higher sales volumes and an increase in the average unit price. In Q1, average unit price growth was strong in regions with robust GS sales, such as Japan and the US. However, from Q2 onward, as volume growth for Seiko GB rises, we expect the rate of average price growth to moderate. If improvements in the supply system progress, there is further upside potential beyond the projections for Q2 and beyond.

Q8. Could you comment on the pace of production expansion compared to the previous fiscal year, as well as your medium- to long-term approach to the production system?

A8. The capital investments currently underway are not aimed at meeting short-term demand, but rather, at strengthening our manufacturing foundation over a 5-to-10-year period. For mid-price range mechanical watches in particular, we aim to build a system capable of handling 1.5 to 2 times our current production capacity. Our capital investments are designed to expand capacity and to ensure stable supply in the years ahead as demand continues to grow. Even if our new facilities cannot be fully utilized during the initial startup phase, we will structure our operations so that productivity improvements will bring sufficient returns on investments.

Q9. When can we expect to see results from your capacity improvements, and what near-term measures are you taking to expand output?

A9. We are accelerating our plan to establish a new large-scale manufacturing facility, but we don't expect any significant impact on financial results until the next fiscal year. In the near term, we are increasing output by improving existing production equipment and revising production plans. We believe it is essential to focus on producing items that sell well and ensuring that they sell out. By rationalizing our SKUs and increasing production volume of key items, we are maximizing the operational efficiency of our lines. Once new equipment comes online in the next fiscal year, our expanded production capacity will not only meet steadily growing demand, but also give us the flexibility to deal with sudden spikes in demand for certain items.

Q10. It is clear that you will significantly exceed the targets of the current Medium-Term Management Plan. Could you give us a glimpse of the future direction of the Watches Business under the next Medium-Term Plan?

A10. We will maintain our key external performance goals: we want to see GS break into the Top 10 in the luxury watch market, and Seiko GB secure the top position in the mid-price segment. Price increases by Swiss brands have created an opening in the market, driving strong global demand for mid-price mechanical watches. In the US and other markets, we are seeing a shift in interest away from smartwatches toward traditional timepieces that offer stylish design and emotional value. In particular, there is growing demand for sophisticated mechanical watches, and we intend to capture a big share of this market. GS still has plenty of room to expand its global market share, and we are positioning it to achieve that by leveraging both our boutique strategy and stronger partnerships with high-end retailers.

Part II - Devices Solutions (DS) Business

Q11. Regarding Q1 operating profit for the DS Business, our understanding was that the initial forecast was somewhat cautious due to surging silver prices. How should we then evaluate the results?

A11. Q1 profitability rose impressively at both Seiko Instruments (SII) and Seiko NPC. Sales of silver oxide batteries grew significantly and are expected to continue growing. Although rising silver prices posed a challenge, we secured raw materials early in anticipation of price fluctuations, which limited the impact even more than we had anticipated. In addition, we benefited from favorable foreign exchange rates thanks to the weakening yen. All this contributed to solid profits at SII. The area that most exceeded our expectations was ICs for crystal oscillators at Seiko NPC, where profitability surged on the back of buoyant demand. Highly profitable inkjet printheads also performed well. Perhaps most rewarding from our point of view, the precision devices sector, which had been struggling in the recent past, saw a recovery in sales of automotive-related components, which contributed to the overall margin improvement of the DS Business.

Q12. The DS profit plan for Q2 onward again appears conservative. Are there significant risk factors that concern you?

A12. As you know, we are always cautious in our future projections. We believe this is a wise course for management. For example, in Q1 there was surge in AI-related demand. We must ask ourselves, will it continue, and if so, for how long? We need time to assess the strength and sustainability of future demand, and until we have that information, it is best to be cautious. On the other hand, our internal forex assumption is set at 155 JPY to the US dollar, so if the yen continues to slide, it will be an upside factor. Also, non-AI related products, such as silver oxide batteries for medical use, and printing devices, are performing well across a diverse lineup. So, despite our conservative numbers, we generally feel that growth in the DS Business will continue into Q2 and beyond.