Seiko Group Corporation

FY2026 Q2 Financial Results Briefing: Q&A Summary

Date: November 11, 2026 (Wed) 10:30–11:30 JST (online)
Respondents: Shuji Takahashi, President
Taku Yoneyama, Director and Senior Executive Vice President

Summary of Q&A

[Consolidated Overview]

Q1. How much did Q2 (July–September) results exceed your initial plan? Also, how much of the ¥6 billion increase in your full-year operating profit forecast reflects Q2 upside?

A1. Q2 net sales exceeded our initial forecast by just under 10% and also exceeded our latest forecast, announced in August. Operating profit was also well ahead of our initial plan, beating internal forecasts in both Q1 and Q2. As you suggested, the ¥6 billion increase in our full-year operating profit forecast largely reflects our strong performance in Q2. Needless to say, we have also revised our 2Hf forecast above our initial projections.

Q2. What is the impact of the U.S. tariff refund on the financial results?

A2. The U.S. tariff refund totaled about ¥500 million in Q1 and about ¥1 billion in Q2, bringing the 1Hf total to roughly ¥1.5 billion. Some refunds that we originally expected in the 1Hf have been delayed until the 2Hf. In addition, the exact amount and timing of refunds related to Phase 3 cannot be confirmed at this point. After excluding these unconfirmed amounts, we revised our full-year outlook for U.S. tariff refunds from the roughly ¥2.2 billion we announced in Q1 to just under ¥2 billion.

Q3. Could you explain how shortages and rising prices of materials such as rare earths are affecting each business domain?

A3. Rare earths are used in analog quartz movements and have been somewhat affected by geopolitical risks. We are prioritizing supply for our core finished watches business, which has slightly impacted our sales of external movements. Demand for movements remains solid, and if material supplies were more plentiful, we could have grown those sales even further. However, the current material shortage is not severe enough to seriously disrupt our business, and of course, we are also exploring alternative materials.
In the Device Solutions Domain, we are seeing a slight shortage of naphtha-based cleaning agents due to the situation in the Middle East. However, we are now shifting to materials that do not rely on naphtha.
As for rising material costs in general, prices of all rare materials, including rare earths, have gone up, as have memory prices. As we indicated, we are taking steps to limit the impact on our profits, such as switching to alternative materials.

Q4. Looking toward your next Mid-Term Management Plan, how do you view growth opportunities and risks? Also, in the Watches Business, what is the outlook for closing the gap in operating profit margin with overseas competitors?

A4. Because the next Mid-Term Plan is still under discussion, We're afraid we can't share specific details at this time. However, our current plan, SMILE145, was created to carry us halfway toward our 10-year vision leading up to 2031. We think it's safe to say that the next Mid-Term Management Plan will not make major changes to our basic strategy. Rather, we are planning to refine that strategy and speed up its execution.
In the Watches Business, our medium-to-long-term goals are to place Grand Seiko (GS) among the "Top 10 Global Luxury Brands" and attain the top market share in the mid-price range for Seiko Global Brands (Seiko GB). We believe it will be difficult to reach these goals with our current production and sales capacity, so the next five years will likely be an investment phase to expand both brands. That said, we will not rush to invest ahead of returns. We will steadily grow sales step by step alongside these investments.
Our technological strength is a key advantage, and we view precision technology in particular as a core asset. It's safe to say that the next Mid-Term Management Plan will continue R&D across our Watches Business, Device Solutions Domain, and Systems Solutions Domain, and link those results to business growth. As in the current plan, we will not focus only on growing sales; we will place importance on gross profit and operating profit and raise profitability by setting our products apart from those of our competitors. With an eye on our foreign competitors' operating profit margins, we intend to set ambitious targets in the coming Plan.

[Watches Business]

Q5. Could you explain why Q2 sales growth slowed slightly compared to the strong growth in Q1? And are there any significant changes in market trends?

A5. In Q1, active marketing campaigns tied to our global advertising contract with baseball star Shohei Ohtani boosted sales. Shipments of new products, including models unveiled at Watches and Wonders Geneva, were also concentrated in Q1, which contributed to strong growth. However, Q2 includes the month of August, a time when sales usually dip due to the summer holiday season. Because of all these factors, Q2 growth was lower compared to Q1.
There was no change in market or sales trends in Q2 compared to the same period last year. Sell-through remained strong through November.

Q6. How much did volume and average unit price each contribute to Q2 sales growth?

A6. In Q2, both volume and average selling price increased for GS and Seiko GB. For GS, the average unit price rose significantly in Japan, growing faster than unit sales volume. While supply constraints will continue in 2H, we will keep growing sell-through by carefully adjusting product allocation.

Q7. While demand remains strong, especially for mechanical watches, we understand that production capacity is limited. What is the current production situation?

A7. The gap between supply and demand has not yet closed, and we expect production will still not be able to fully meet demand by the end of this fiscal year. For this reason, we are prioritizing the production and sales of higher-priced, high-value-added products. We are also focusing supply on retail stores with strong sell-through.
From the beginning of the next fiscal year, the benefits of our production expansion will begin to take effect, and we expect the supply-demand gap to gradually narrow.

Q8. Please elaborate on the status of shipments to dealers and retailers, as well as consumer

sentiment ahead of Black Friday and the Christmas shopping season.

A8. Previously, Seiko GB focused mainly on the mid-price range, and gift demand during Black Friday and Christmas made up a large share of annual sales. Today, we have shifted our product lineup to focus more on personal purchases by watch enthusiasts and high-net-worth customers, so seasonal swings in sales are less pronounced than before. Still, the holiday season, especially in the United States, remains an important selling period. Looking at recent conditions in October and November, we have not seen any major negative shifts in consumer sentiment, so we expect demand to stay strong. Toward the end of the year, however, orders from retailers usually tend to exceed actual consumer demand. We will closely monitor sell-through and each store's actual selling power in order to efficiently allocate our limited product supply.

Q9. Given your current strong sales, what is the reason for your conservative outlook for the 2Hf?

A9. Because the Watches Business is a B-to-C business, we build our plans based on store sell-through and retailer purchasing, which naturally makes our outlook more conservative than in B-to-B businesses. Our sales teams are also taking a cautious view after considering how geopolitical risks, cyberattacks, and stock market trends could affect consumer spending. This cautious outlook is reflected in our 2Hf plan.
On the other hand, we see no major concerns about the underlying fundamentals of the watch market. We aim to achieve our 2Hf targets and then exceed them, always looking for further upside.

Q10. We've heard that capacity investments will boost production starting in the next fiscal year. By how much do you expect production capacity to expand?

A10. Since our current production capacity is very tight, we are speeding up the installation of new production equipment ahead of the start of the next fiscal year. We cannot simply order high-precision watch manufacturing equipment from a catalog. Outside suppliers do not have the kind of equipment we need, so we develop specialized production equipment in-house through Seiko Future Creation Inc., which handles our Group R&D. There are production line expansions that were originally scheduled to finish in the middle of the next fiscal year, but we are accelerating the timelines wherever possible, moving forward any lines that can be ready to operate by next spring. We will say this: Compared to three months ago, we are much more confident about carrying out our production expansion plans, and we expect our production capacity in the next fiscal year to significantly exceed this year's level. We are currently working out the exact amount of the increase.
When we created our current five-year plan, we did not expect the Watches Business to grow at its current pace, so we have been trying to meet demand by optimizing existing capacity. However, it is difficult to expand manufacturing facilities quickly. Under the next Mid-Term Management Plan, we will focus on higher growth targets and raise both our production and sales capacity to a different level than in the current plan. We will expand capacity step by step, aiming to build a system that can respond flexibly even when demand exceeds initial expectations, as it has recently.

Q11. With strong demand and tight supply, raising product prices seems a logical way to improve profitability. Are any further price increases being considered?

A11. Taking into account currency movements and rising raw material costs, we have carried

out timely price revisions for both GS and Seiko GB over the past few years. We also raised prices when additional tariffs were introduced in the U.S., and we will plan to continue implementing necessary price increases depending on market conditions.
In addition to simple price increases, we are shifting our product lineup toward higher-priced models. Even with the same production capacity, improving our product mix helps raise average unit prices and creates a positive cycle that boosts profitability.

[Device Solutions (DS) Domain]

Q12. Although the demand for the DS Domain is strong, the 2Hf profit plan seems rather conservative. What are the assumptions behind the plan, and what factors are limiting the upside?

A12. Demand for AI infrastructure-related products is extremely strong. Our facilities are currently operating at full capacity, and for some products, we cannot supply enough volume to meet demand. One reason our 2Hf plan looks conservative is that upside is limited by our production capacity, not by weak demand. Another factor is that we have set a conservative exchange rate assumption of ¥155 per U.S. dollar (a stronger yen than current levels).
At present, we have maxed out capacity utilization rates for micro-batteries and high-performance metals for semiconductor manufacturing equipment, and we have already begun investing to expand production capability for future strong demand. Also, while SEIKO NPC CORPORATION operates mainly on a fabless basis, we have arranged ahead of schedule for equipment needed in the inspection process and aim to start operating it in the 2Hf so we can try to meet the demand.