

Seiko Holdings Corporation
FY2017 Consolidated Results Presentation
Summary of Q&A

- ◆ Date : Monday, May 14, 2018, from 11:00 a.m. -12:00 p.m.
- ◆ Place : Keidanren Hall, 2F Keidanren Kaikan
- ◆ Summary of Q&A :

Q1. The plan for the Watches Business for FY2018 deviates from the 6th Mid-Term Management Plan. Has the strategy been revised?

A1. When the 6th Mid-Term Management Plan was created in FY2015, the watch industry had been expanding for six consecutive years. However, there was a reactionary downturn worldwide starting in the second half of FY2015. Most recently, in FY2017, statistics from Switzerland and Japan indicate a halt in the decline for the time being, but sales of affordable-priced watches continue to decrease, and the situation varies considerably depending on price range or distribution channel. In these circumstances, naturally we will accelerate and strengthen the shift to price ranges and distribution channel that are growing.

Q2. While sales of high-end watches are growing, net sales for the Watches Business in FY2018 are expected to remain at the same level as in FY2017. I think that is because the low- to mid-priced products are impeding performance. When will the Watches Business as a whole, including low- to mid-priced products, start to see growth?

A2. Our understanding is that such products are in an adjustment period, so under the present circumstances it is difficult to say clearly in which fiscal year the Watches Business will return to a growth trajectory.

Q3. Although FY2018 net sales in the Watches Business are expected to be flat year on year, you are forecasting an increase in operating income. Why is that?

A3. The slight decrease resulting from production adjustments carried out in FY2017 will improve in FY2018, and we expect to see the effects of structural reforms conducted in FY2017. In addition, although we are assuming a stronger yen in FY2018 than in the previous fiscal year, we are expecting an increase in sales to make up for the decline in sales owing to the impact of foreign exchange.

Q4. How are the five global brands (Grand Seiko, Astron, Prospex, Presage and Premier) and the high-end watch business progressing compared to the 6th Mid-Term Management Plan?

A4. Among the global brands, three brands in particular are performing extremely well: the high-end Grand Seiko, the sports watch series Prospex, and the mechanical watch series Presage.

Q5. How far are you hoping to raise the ratio of global brands in the future?

A5. The share of net sales accounted for by global brands differs considerably from region to region. In Japan, global brands already account for more than half of net sales, but the level is not yet that high in overseas markets. For now, our target is to raise the ratio of global brands in overseas markets to over 50%, as it is in Japan.

Q6. As the ratio of global brands increases, how do you view the balance between improving margins and increasing expenses to enhance brand value in the medium term?

A6. In Japan, our priority will be to improve profitability. On the other hand, we will emphasize growth overseas, mainly in Asia, while carefully balancing expenses with profitability in each market.

Q7. You are forecasting an increase in real income (excluding the impact of the exclusion of the semiconductor business from consolidation) in the Electronic Devices Business for FY2018. What is the reason for that?

A7. The first reason is that we will steadily secure growth in businesses that are currently performing strongly. Businesses such as those relating to semiconductor facilities and the printer business are presently robust. In addition to measures such as developing new series and enhancing the product lineup, we will of course reinforce sales in order to ensure income in these businesses. Secondly, we will steadily improve product groups that have unfavorable earnings. We aim to increase income by implementing these measures in combination.

Q8. How will you prioritize allocation of capital investment and R&D investment to strengthen the businesses after the semiconductor business is gone?

A8. We will prioritize capital investment in areas that are growing. In particular, the Systems Solutions Business has grown significantly, and will naturally be a priority for investment.

As for R&D, We cannot say specifically, but we will invest both in current businesses and in development for the future.

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