

Seiko Holdings Corporation

FY2018 1st Quarter Consolidated Results Presentation
Summary of Q&A

- ◆ Date : Monday, August 13, 2018, from 3:00-3:50 p.m.
- ◆ Place : Seiko Holdings Corporation, Head Office
- ◆ Summary of Q&A :

Q1. Watches performed strongly. Did sales grow more in Japan or overseas?

A1. In the 1st quarter, growth was stronger overseas, mainly in the U.S. and China.

Q2. The progress of watches has been better than initially planned. Was this due to improvement in volume, or in unit price?

A2. In Japan, unit price improved. Overseas as well, we think that unit price increased overall.

Q3. The Watches Business seemed to have performed strongly in China. Were e-commerce sales strong?

A3. E-commerce performance was strong in China, and drove sales.

Q4. Do you expect that the momentum of the 1st quarter will continue into the 2nd quarter and beyond in terms of market conditions?

A4. In Japan, inbound demand is coming back a little, and sales of high-end products are going well, including the retail market. On the other hand, we feel that products in a relatively wide range of prices are selling well—one example is the mid-priced Lukia, which lagged in the previous fiscal year, but got off to a strong start this fiscal year. We think that domestic sales will remain strong for the immediate future.

Overseas, product groups that strongly reflect our originality, such as Prospex and Presage, are popular, and in some countries, Grand Seiko and Astron are popular as well. This product mix is doing well, and we think this is probably why our growth exceeded that of the industry as a whole. Considering this merchandising and marketing strategy rollout, we think that the current strong performance will continue for a while.

Q5. Do you think the strong performance of the Watches Business is a result of efforts to increase brand value over the past few years?

A5. In regards to our efforts to strengthen Grand Seiko overseas, we began seeing strong growth in the U.S. in the second half of the previous fiscal year. Additionally, our efforts to strengthen our five global brands (Grand Seiko, Prospex, Presage, Astron and Premier) have resulted in continued growth of Prospex, Presage and so on since the previous fiscal year. So, we feel that our strategy, including merchandising, is working well.

Q6. You posted a year-on-year decline in earnings in the movements business, but it seems like it did not have a very large negative impact on income.

A6. Although sales fell, earnings did not get much worse. This was mainly because the production adjustments of the previous fiscal year leveled off and returned to normal this fiscal year, and some of our structural reforms conducted in the previous fiscal year were in the Watches Business and their effects remain in the first half.

Q7. What are your expectations for the movements business in the 2nd quarter and beyond?

A7. Although this differs by products and customers, as an overall trend, the market situation for affordable-priced watches looks tough, and we do not see much chance for a major improvement in analog quartz movements.

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