

Seiko Holdings Corporation

FY2017 1st Quarter Consolidated Results Presentation
Summary of Q&A

- ◆ Date : Thursday, August 3, 2017, from 10:30 a.m.
- ◆ Place : Seiko Holdings Corporation, Head Office
- ◆ Summary of Q&A :

Q1. Why was not the full year forecast revised despite strong progress in the 1st quarter?

A1. Progress in the 1st quarter was mostly in line with the plan if we exclude the impact of yen depreciation. Progress in the Electronic Devices Business was slightly stronger than anticipated even excluding the effect of foreign exchange rates, but we decided to leave the full year forecast as it was in light of risks including the possibility of changes in the environment in the 2nd half and beyond.

Q2. Have there been any changes in the watch market by region compared to the start of the fiscal year?

A2. We don't think there has been remarkable change in the market for watches in Japan.

As for overseas, the market in China seems to be steady for us as well as other watch companies. However, as our China business is not so big, its contribution is rather low. In other regions, performance has been steady in Europe and other Asian markets.

Q3. What are the current market condition and the future outlook for watches in Japan?

A3. Sales were steady for Grand Seiko including high-end products such as limited-edition items in the process of independently branding Grand Seiko. Sales of other strategic brands such as Astron and Presage were also relatively firm, although conditions were a little challenging for mid-priced products.

Q4. Is the growth in high-end products in Japan due to consumption by foreign tourists?

A4. The favorable performance of our Grand Seiko during the 1st quarter was mainly due to purchases by Japanese customers.

Q5. With regard to the watches business in Japan, what initiatives will you carry out to achieve further sales growth in the future?

A5. During this fiscal year, we will steadily implement measures to raise awareness of the independently branded Grand Seiko. We will also work on brands such as Prospex that were well-accepted overseas in the previous fiscal year.

Q6. How are conditions in the European and Asian watch markets?

A6. In Europe, sales grew steadily in the previous fiscal year, mainly for products in the 100,000 yen price range. We believe the environment has become more receptive to high-end products than before.

In Asia, Japanese brands have always had a strong reputation, so conditions are even more favorable for reception of high-end products.

Q7. What is your anticipation of the business recovery and view of the current inventory condition in the market for the watch movements business that saw an increase in earnings?

A7. Price competition is continuing as we anticipated, and we do not believe the business's recovery to be very strong. However, we think the inventory in the market has been steadily getting in good shape.

Q8. What are the reasons behind the strong performance of the Electronic Devices Business?

A8. In addition to semiconductors, high performance metal products, thermal printers and other printer-related businesses have mainly continued to perform favorably since the 4th quarter of the previous fiscal year.

Q9. What contribution to income do you expect in this fiscal year from the M&A conducted in the Systems Solutions Business?

A9. We do not expect a contribution to income during the first year due to the occurrence of amortization of goodwill and acquisition expenses. However, we expect income, including synergy effects, starting from the next fiscal year. The acquired business has gotten off to a good start, so we believe that it will contribute to income earlier than expected.

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