

Main Questions and Answers (Summary) at the Earnings Presentation for the Six Months
Ended September 30, 2020

Date: 4:00 p.m. to 5:00 p.m., Thursday, November 12, 2020

Participants from the Company: Toshihiko Sato, President and CEO; Norio Takeuchi,
Managing Director; and Toshiyuki Furukawa, Director

Main Questions and Answers

[General]

- Q) Looking ahead to the next fiscal year or the year after next, please describe the volume of sales that you envision.
- A) With the business environment changing significantly, we are considering developing new strategies and reviewing the mid-term management plan. We are unable to provide specific numbers at this point. All we can say is that what is happening in the current fiscal year should be taken into account, as well as what will happen next year and beyond.
- Q) What is the background behind the annual dividend of 5 yen per share for the current fiscal year?
- A) Our shareholder return policy is reflected in the mid-term management plan. Although we expect to be in the red according to the forecast for the year, we have decided on 5 yen for the year to maintain a certain dividend level.

[Watches]

- Q) In the forecast for the second half, the reduction of the operating loss seems to be modest. What is the factor behind this?
- A) We are looking at the mainstay North American market conservatively. Sell-in is recovering. However, with distribution continuing to contract, there is still a large amount of inventory at physical stores. We are eager to reduce distribution inventory to a normal level by fully leveraging sell-through before we enter the fiscal 2021. We plan to make advertising investments in the second half at the same level as we did in the same period of the previous year. Consequently, operating profit is expected to decline.
- Q) How is the inventory of watches and movements?
- A) We expect that the inventory of watches will decline to a healthy level by the end of the fiscal year because many of products that had not moved by the end of the first half of

FY2020 will be sold during the Christmas shopping season. As for movements, overall inventory including distribution inventory has begun to decrease, and market has started to show some movement. With sales of movements expected to rise in the second half, there are signs of recovery.

- Q) Please provide details of initiatives that you will advance by utilizing digital infrastructure such as online sales.
- A) We will enhance our business by promoting online sales in the North American market, where our sales have been most affected. We offer a large selection of items through online direct sales. In addition, we enjoy strong sales through other online sales channels such as specialty stores, department stores and stores for novel products. We want to enhance the overall customer experience, including the services that customers receive, instead of just offering products through the e-commerce platform. We will enhance online sales in Japan, as well as in North America and China where online sales account for a high percentage of our total sales.

[Machine Tools]

- Q) What is the factor behind the downward trend in orders received in the Machine Tool business in Japan?
- A) Our customers operating in Japan, many of whom are small and medium enterprises, appear to be unable to put their investment plans into practice until their financing concerns are resolved. With production recovering mainly with respect to automobile-related items, we are expecting an upturn from October.
- Q) What is the background to the somewhat conservative forecasts for the second half with respect to the Machine Tool business?
- A) There is still uncertainty about the future. In addition, the recovery in orders will contribute to sales mainly from the fourth quarter of FY2020, which makes sales look weak compared to the recovery of orders.