

Main questions and answers at the earnings presentation for Nine months ended December 31, 2021

Date and time: February 10 (Thursday), 2022, 16:00 to 17:00

Participants from the Company: Toshiyuki Furukawa, Director; Yoshitaka Oji, Director

Main questions and answers:

[General]

Q)

I expect that your new medium-term management plan will be announced soon. What are your areas of focus in the plan?

A)

For the Watches segment, taking into consideration changes in the business environment such as the rise in the popularity of smartwatches, we will put more emphasis on supplying high value-added products as effectively as possible instead of just aiming to increase the volume of sales.

In the Machine Tools segment, which covers a broad range of applications, we can leverage our strengths in automobile-related products, which account for a high percentage of total production, as well as products related to medical equipment. In addition, we want to expand applications to products associated with other industries. China, where we are currently working to enhance production capacity, and India are also prospective markets.

[Watches Business]

Q)

Factors contributing to strong sales in the North American market

A)

A rise in unit prices, due in particular to growth in sales of high unit price products, was a contributing factor. Sales of high unit price products were strong at jewelry chains. In addition, many such high unit price items tend to be sold through direct online sales, which also contributed to a rise in unit prices. Sales of mechanical watches that we released in Japan ahead of other markets are strong. We will continue to increase sales in North America as well, going forward.

Q)

Am I correct in understanding that there is no confusion in supply chains?

A)

We don't have any serious problems with the production of watches. However, the delivery of parts for certain products is being delayed. We will ensure that sales are not interrupted by raising the accuracy of preliminary expectations and facilitating communication with suppliers.

Q)

Outlook for the fourth quarter of FY2021 and beyond

A)

Prospects are different by region. We expect that the North American market will continue to perform strongly to some extent. The domestic market was on an upswing from November in the wake of the lifting of the declaration of a state of emergency. However, we started to factor in a downward risk from the middle of January due to the spread of Omicron. The European market is recovering steadily despite the spread of infections. The Chinese market should be seen conservatively partly due to a decline in consumer confidence.

[Machine Tools Business]

Q)

Is the impact of parts shortages reflected in the forecasts for the fourth quarter of FY2021?

A)

With the shipment of some parts further delayed, we have difficulties in making projections with respect to parts procurement. Still, we have not made any significant revisions to the forecasts as of the second quarter.

Q)

With regard to the enhancement of production capacity, when do you expect effects to be generated?

A)

An increase in production as a result of the relocation and expansion of the plant in China will be reflected in FY2022. However, systems for increasing production, including those in the Thai plant and Machinery's Karuizawa plant, are expected to be established in around 2023. We are seeking to increase production capacity before demand reaches the next peak in the machine tools market. With this in mind, we are investing in expanding production from medium- to long-term perspectives.