

Main questions and answers at the earnings presentation for the year ended March 31, 2022

Date and time: May 12 (Thursday), 2022, 16:00 to 17:00

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

Main questions and answers:

[General]

Q) To what degree have you factored increases in expenses including parts and materials costs into the forecast for FY2022?

A) Regarding fixed costs, advertising expenses are controlled depending on sales in the Watches business. Personnel and other expenses, which have been kept in check for two years, are expected to increase as we proceed with the normalization of business activities. Increasing parts, materials and energy costs have been factored in to the extent that we are able to foresee at this time.

[Watches Business]

Q) What is your forecast for the Watches business for FY2022?

A) In FY2021, the North American market grew significantly, far exceeding expectations. Although it is difficult to sustain the growth rate to date, we expect continued revenue growth. The European market is also expected to remain steady despite risk factors. The domestic market is also on a track toward recovery. The Chinese market is expected to be difficult until the first half of the year. Movement sales are expected to increase slightly.

Q) Please tell me about the situation in the Chinese market.

A) Regarding the supply chain, there have been some restrictions on traffic in some areas, but there have been no disruptions. Meanwhile, on the sales front, the impact of the lockdowns in Shanghai and Beijing has been significant.

[Machine Tools Business]

Q) To what extent have you factored the impact of the difficulties in procuring parts and materials and the cost increases into your forecast for FY2022?

A) Procurement difficulties for parts and materials have resulted in longer lead times, making it difficult to respond to production. In addition, parts and materials costs and also transportation costs have increased. As a result of the impact of this, the increases in sales and profit are expected to be slight for FY2022.

Q) What is the future trend of orders?

A) We expect a high level of orders to continue for the time being, but we will keep a close eye on future changes.