

Main questions and answers at the earnings presentation for the year ended March 31, 2023

Date and time: May 12 (Thursday), 2023, 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) Regarding the differences from expectations

A) Net sales in the Watches segment were almost in line with expectations, but operating profit beat expectations slightly due to expense control. In Machine Tools, net sales exceeded expectations due to progress in production and shipping output. The operating margin also beat expectations due to changes in the regional sales mix, with increases in Japan and Europe offsetting declines in China and Asia. Devices and Components fell short of expected levels. Electronic and Other Products performed in line with expectations.

Q) Regarding the approach to cash allocation Do you consider the current cash position to be appropriate?

A) As business performance deteriorated because we were hit hard when the COVID-19 pandemic struck, we kept a large amount of funds on hand in light of future risks. We see our current cash position as appropriate. Regarding the acquisition of treasury shares, we have been making flexible decisions based on circumstances in accordance with our shareholder return policy, and we will continue to make comprehensive decisions.

Q) In your forecast of capital investments in FY2023, what specific investments do you expect to make?

A) The amount of capital investments planned for FY2023 includes some investments from FY2022 that have been carried over due to equipment delivery delays, so investment will increase year on year. A little under 80% of investments will be allocated to the Watches and Machine Tools business segments. We plan to continue actively investing in the Machine Tools segment, and will also install machinery and equipment in newly constructed plants.

[Watches Business]

Q) Regarding expectations for inbound demand

A) Demand in the domestic market is rising due to the resumption of inbound travelers, but since inbound travel from Chinese tourists, particularly those on group tours has still not resumed, a full-scale recovery has still not arrived. We project a gradual upturn from the summer of FY2023.

Q) Regarding the FY2023 forecast for the movement business

A) Difficult conditions have continued since the second half of FY2022 due to a sluggish Chinese market and cautious moves in the European and US markets. We forecast a recovery starting in summer, which is the sales season for movements.

[Machine Tools Business]

Q) Regarding the future outlook for orders

A) We recognize there is a gradual slowing of orders. We believe the same trend will continue in the first half of FY2023, but the European market is firm, and the Chinese market is not bad at present. We have started FY2023 with an order backlog of at least half a year.

[Devices and Components Business]

Q) Regarding the factors behind deteriorating profitability Is there any special factors?

A) We also performed inventory write-downs, but reduced profit associated with declining sales is a major factor. We project a recovery in automotive parts from around the second quarter of FY2023, but FY2022 was sluggish throughout the year. Among opto-devices, sluggish demand for LEDs for lighting equipment had a large impact.