

Main Questions and Answers (Summary) at the Earnings Presentation for the Fiscal  
Year Ended March 31, 2020

- ✓ Date:  
4:00 p.m. to 5:00 p.m., Thursday, May 14, 2020
- ✓ Participants from the Company  
Toshihiko Sato, President & CEO; Norio Takeuchi, Managing Director; and Toshiyuki Furukawa, Director

**[General]**

Q) Sales are expected to fall due to COVID-19. Is there any scope for cost cutting?

A) As of 4Q FY2019, our advertising expenses were around 1.0 billion yen lower than the year-ago level. We are reducing expenses in other areas besides advertising and are cutting costs in 1Q FY2020 as well.

Q) Are you considering changing the direction of your medium-term management plan?

A) We recognize that the current business environment is tough. We will judge whether it is necessary to revise our medium-term management plan based on an assessment of the impact of COVID-19. Our basic policy of striving for growth, with the Watches segment and the Machine Tools segment positioned as core businesses, remains unchanged.

**[Watches]**

Q) Outline the Watches segment's performance in 4Q FY2019 by region.

A) In China, COVID-19 caused sharp decline in the Watches segment's performance in February. However, business has picked up since then.

Meanwhile, business in Japan, Europe and the United States slumped due to the closure of physical stores from March.

Q) Will there be any change in your smartwatch strategy in the future?

A) We had to change our strategy due to discrepancies in the growth forecast for the hybrid smartwatch market. Hybrid smartwatches may grow in the medium and long term but, rather than expanding sales of watch movements to hybrid smartwatch manufacturers, we will focus on sales of movements to Fossil. Our Riiiver brand is growing steadily, though sales are still low, and we will spend money on developing and promoting the brand.

Q) Give details of current initiatives to strengthen EC sales.

A) In the Chinese market, EC sales account for almost 60% of total sales, and various online events have been well-received. For some time, we have been endeavoring to offer different products online to those sold in physical stores. In our EC operations, we provide warranties and other after-sales service, hold events, and disseminate news and information, and we intend to extend these initiatives implemented in our Chinese and North American EC operations to the Japanese market

Q) What is the outlook for the watch movements market?

A) The watch movements market continues to face challenging conditions. In 4Q FY2019, these challenges were further compounded by COVID-19, leading to sharp decline. In our view, the movements market is unlikely to recover sharply in the future and we are already taking steps to reduce production. We intend to scale back current production and assess the proper level of demand. Movement manufacturing plants are taking steps such as laying off workers temporarily and production will remain at a low level in 1Q FY2020.

**[Machine Tools]**

Q) Give details of orders for machine tools.

A) Orders in the Chinese market were firm, partly due to large orders obtained for smartphone-related applications. While the decline in Japan was limited, orders slumped dramatically in Europe and the United States. Orders in 1Q FY2020 will probably depend on the future resumption of economic activity in the European and American markets.