

Main questions and answers at the earnings presentation for Six months ended September 30, 2021

Date and time: November 11 (Thursday), 2021, 16:00 to 17:00

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

Main questions and answers:

[General]

Q) What is the context for lowering the forecast for capital expenditure?

A) We have lowered the previous forecast of JPY 17.0 billion by JPY 1.0 billion to JPY 16.0 billion. Some of the investments are not expected to be completed during this term due to the impact of restrictions on activities in the wake of the spread of the COVID-19 virus.

[Watches Business]

Q) Which regions have done particularly well? What is the context for the substantial upswing in operating profit?

A) Concerning Finished Products, the largest contributor was the upswing on the North American market. The European market was steady even though there were contrasts by country due to the state of vaccination progress. Sales of movements as well as mechanical and high value-added movements did well.

In addition to increased net sales of Finished Products, improved profits from movements had a major effect on the operating profit. On the one hand, expenditure progressed as expected while net sales increased due to revenge buying and similar strong demand.

Q) It seems that economic growth on the Chinese market is changing. Are you considering a change of future strategy?

A) Performance on the Chinese market was favorable until the first quarter of fiscal 2021, but as of the second quarter, business confidence has worsened due to the flooding in Henan province, power shortages, restrictions on the IT industry, and other factors. As the e-commerce market in China has grown, so have the small and medium-size platforms. We aim to continue to expand by finding a balance between online sales and sales in physical stores. We are not considering any major changes in strategy as of this point in time.

Q) Do you have any ambitions to invest in advertising in the second half of the fiscal year?

A) We are not changing our assumptions about spending on advertising, but we will increase investment in digital advertising with a focus on the North American market in the run-up to the Christmas shopping season. The recovery in Japan and Asia is bearish, but we will keep an eye on the situation and respond flexibly.

[Machine Tools Business]

Q) Procurement of parts seems to be hard-pressed. What is the near-term outlook?

A) Compared to the first quarter of fiscal 2021, more parts were in short supply in the second quarter. In addition to NC devices, electrical components, and control panels, switches and other small components are also in short supply and production efficiency is down.

Q) What is the breakdown by region?

A) In terms of orders, the situation in Europe remains favorable. Japan is also heading for recovery, and regions with high profitability are increasing. In the second half of the year, we expect a slight downturn in Europe and an increase in Japan. Although orders are at a high level, the forecast for the second half of the year is unchanged because lead times are lengthening, and costs including parts prices and distribution costs are increasing.