

Main questions and answers at the earnings presentation for the second quarter
ended September 30, 2024

Date/Time: November 11, 2024 (Monday) 4:30 p.m. -5:30 p.m.

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 the expected results for the second quarter

A) Both net sales and operating profit were slightly higher than expected, partly aided by foreign exchange rates. In the Watches business, sales slightly exceeded expectations, while operating profit fell slightly lower than expectations. In the Machine Tools business, both sales and operating profit were a bit higher than expected. In the Devices and Components business, both sales and operating profit were in line with expectations. In the Electronics and Other Products business, both sales and operating profit exceeded expectations.

[Watches]

Q) Factors that decreased operating profit

A) In movements, a recovery in demand for analog quartz movements appeared sluggish and sales of mechanical movements for customers in China were lower than the projected level. In addition, sales of finished watches were lower than expected in Asian markets including China.

Q) Sales result of movements and production adjustments

A) We made production adjustments based on market and inventory conditions in the first quarter, while also trying to offset the decrease recorded in the first quarter by boosting sales in the second quarter. However, this did not lead to a recovery for the reason I mentioned earlier. We are not expecting to make production adjustments at this point. Nevertheless, we will assess the situation as necessary and make a decision.

Q) Situation in North America and Europe

A) Sales remained solid in North America and Europe. In North America, sales increased at specialty stores of watches, as well as jewelry chains and department stores. In Europe, sales were slightly higher than expected, with the UK., France and other countries performing well, despite geopolitical risks.

Q) Regarding unit sale prices

A) On a yen basis, unit sales prices rose by slightly greater than 10% in Japan and somewhere around 15% overseas year on year. Unit prices rose even excluding the effects of foreign exchange rates.

[Machine Tools]

Q) Status of orders received and the future trend of orders

A) Orders received during the period from March to May were at very high levels due to the effects of subsidies in China, among other factors. Consequently, the number of orders and amount of orders received during the second quarter under review decreased by approximately 30% and somewhere around 15% from the previous quarter, respectively. We expect that orders will continue to trend toward a moderate recovery overall going forward, although the situation differs from region to region. Automotive-related capital expenditures have not recovered and in addition, a little more time appears to be needed for semiconductor-related capital investments to recover. We therefore anticipate a recovery during the period from the beginning of the year to next spring.

[Electronic and Other Products]

Q) Regarding the better-than-expected result

A) Sales of the highly functional new models of photo printers exceeded expectations. With respect to photo printers, most of which we provide as an OEM, we obtained large orders from major customers during the current period on the back of renewal demand.