

Main questions and answers at the earnings presentation for the third quarter
ended December 31, 2024

Date/Time: February 12, 2025 (Wednesday) 4:30 p.m. -5:30 p.m.

Participants from the Company:

Toshiyuki Furukawa, Managing Director; Yoshitaka Oji, Managing Director

Main questions and answers:

[Watches]

Q) Factors that decreased operating profit

A) In the third quarter, with unit sales prices declining slightly in the overseas market on a local currency basis, we were not able to improve the product mix to the extent that it was able to absorb increases in SG&A expenses, including advertising expenses, and other costs. In addition, we were affected by an operating loss attributable chiefly to a decrease in sales in the Asian market, including China.

Q) Unit sales prices in the overseas market

A) The year-on-year rate of unit price increase was somewhat high in North America and almost flat in Europe, excluding the impact of the exchange rate. Unit sales prices increased greater than expected until the second quarter. However, the trend turned moderate in the third quarter.

Q) Situation in North America and Europe

A) Sales remained stronger than expected in North America and Europe, which is expected to continue in the fourth quarter.

Q) Sales result of movements and production adjustments

A) There were no significant changes in the overall market conditions of movements. Having said that, sales of value-added models of analog quartz movements remained firm in the third quarter as major clients, particularly, large companies, were in the process of shifting to high value-added products. With production adjustments implemented by the end of the third quarter, inventories as of the end of December 31, 2024 were at an appropriate level, which is 30% lower than the year-ago level. No production adjustments are expected to be made in the fourth quarter.

[Machine Tools]

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

A) The recovery in orders received was slower than initially anticipated. Still, given signs of a bottoming out in some markets, we anticipate that they will be trending toward a moderate recovery overall. Previously, we assumed that a full-scale recovery in orders received would occur in the early spring of 2025. For now, however, we expect that the situation will improve in the second half of 2025.