

Main Questions and Answers (Summary)  
at the Earnings Presentation for the Fiscal Year Ended March 31, 2019

- ✓ Date:  
5:00 p.m. to 6:00 p.m., Monday, May 13, 2019
- ✓ Participants from the Company:  
Toshihiko Sato, President & CEO, Norio Takeuchi, Managing Director, and Toshiyuki Furukawa, Director

**[General]**

Q) Prospects for the amount of capital expenditure: Will you continue investing in productivity improvement?

A) In the fiscal year ending March 2020, we plan to increase our investment by 0.8 billion yen from the previous year, for a total of 24.5 billion yen. We will accelerate investment in rationalization and automation in the Machine Tools business and opto-device business as well as the Watches business. We will also make investments related to digital marketing in the Watches business.

Q) Current inventory level

A) Although we had inventory growth primarily due to the manufacturing of finished products associated with the closure of the watch manufacturing factory in China, the inventory will be gradually reduced from now on. This includes stocking up for sales growth in the North American market. The inventory of movements has returned to the same level as at the beginning of the fiscal year.

**[Watches]**

Q) Financial results for the Watches segment in the fourth quarter

A) The North American market, which was strong in the third quarter, slowed slightly in the fourth quarter, which resulted in lower sales than our forecast. However, the shipment of Disney-related products remained strong, and sales in the local currency exceeded the previous year's result. Sales in the domestic market also remained flat in the fourth quarter but continued to be steady. Meanwhile, we faced difficulties in the European market.

Q) What caused the significant fall in the operating profit in the watches segment?

A) The reduced production of movement and a decrease in net sales constituted to be the largest factors. Both net sales and operating profit from finished products exceeded the results in the previous year after recovery in the second half of the fiscal year from a decrease that was caused in part by the increased expenses associated with the closure of the Chinese factory.

**[Machine Tools]**

Q) Trends in orders received in the Machine Tools segment: When do you expect orders received to bottom out?

A) The volume of orders received began to appear to be peaking out at the end of the year. While we do not expect a significant fall in the fiscal year ending March 2020, a strong turnaround is also likely to be difficult. We expect that a full-fledged recovery will be achieved in or after the fiscal year ending March 2021.

**[Devices and Components]**

Q) What caused the decline in operating profit in the Devices and Components segment in the fiscal year ending March 2019?

A) Particularly in the fourth quarter, sales of general LED lighting, which is a cash cow in the opto-device business, also decreased and contributed to the decline in profit. Sales of auto parts chiefly for the Chinese market were also sluggish in the fourth quarter. Moreover, sales of backlights also decreased, which reduced the operating profit.