

Main questions and answers at the earnings presentation for the year ended March 31, 2021

Date and time: May 13 (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) In terms of profit, the Machine Tools Business now accounts for a higher percentage of total profit. What are your views on the business portfolio in the future?

A) The Watches Business and the Machine Tools Business will remain the core businesses. The Machine Tools Business is expected to achieve higher growth in the long term. Sales in the Watches Business are unlikely to expand significantly. We will build a structure that can generate steady profits.

[Watches Business]

Q) You have announced new mechanical watches. What types of watches will you focus on in the Watches Business in the future?

A) Our strategy of focusing on watches in the middle price range remains unchanged. In the domestic market, watches in the middle price range, such as xC and ATTESA, sell well. We have announced luxury mechanical watches under the brand of The CITIZEN and a mechanical watch brand, Series 8. We will add an option of mechanical watches to analog quartz watches with Eco-Drive function, Citizen's core technology, to expand the product lineup.

Q) In the Watches Business, you recorded an operating loss of JPY4.3 billion in the fourth quarter of FY2020. It was on a par with the year-ago level. Earnings did not improve despite structural reform in the movement section, did they?

A) We disposed of and wrote down inventories of movements and watches, and posted non-recurring costs of approximately JPY1.5 billion. Except for these costs, earnings improved.

Q) You forecast that net sales will increase 30% YoY in FY2021. What are the major factors for the increase?

A) Watches are selling well in the North American market, a major market. Sales are increasing significantly, partly due to progress in vaccination. Sales are also expected to grow in China Demand for movements is on a recovery trend. Inventories are at an appropriate level.

[Machine Tools Business]

Q) What are your views on orders for machine tools in FY2021?

A) Orders in the fourth quarter of FY2020 were close to peaks in FY2017 and FY2018. Orders are steady. We expect that orders will remain strong. Orders have been expanding in China since last year. Orders have also been increasing in Europe and other advanced countries since the beginning of this year. We expect that the product mix will improve.

Q) Orders appear to continue to expand. How long do you expect the upward trend will continue?

A) The machine tools market cycle in the past has shown that an upward trend runs for about two years, and I expect that this upward trend will continue for a similar length of time. As orders are expanding, the lead time is getting longer and the procurement of parts is becoming unstable. I think the volume of machine tools we will be able to ship is an important factor.