

Main Questions and Answers at the Presentation for Medium-term Management Plan

Date and time: March 30 (Wednesday), 2022, 15:30 to 16:30

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

Main questions and answers:

[General]

Q)

Could you explain your shareholder return policy?

A)

In Medium-term Management Plan 2024, we take into account the balance between investment in growth and rationalization and strengthening the financial structure, and place an emphasis on the continued payment of stable dividends, aiming for a dividend payout ratio of around 50%. On the acquisition of treasury stock, we will not set target amounts, and instead make flexible decisions based on circumstances.

[Watches Business]

Q)

What is your view on the growth of the Watches Business? Do you expect that a greater weight will be placed on rising unit prices or increased volume?

A)

In the watch market, since we expect that overall volume will either remain flat or fade slightly, we will aim for growth through rising unit prices. We will seek to raise unit prices by strengthening global brands and premium brands. In the domestic market we are working on strengthening our The CITIZEN brand and we hope to raise unit prices in strong ways. Average unit prices have also risen in the North American market and our plan is to raise unit prices with a focus on the domestic and NA markets.

Q)

To what extent have you incorporated a recovery from the COVID-19 pandemic into the plan?

A)

We have not factored in a complete return to pre-pandemic conditions. The evaporation of inbound demand during the COVID-19 pandemic has had a significant impact, and we expect inbound demand to recover to around 70% of its pre-pandemic peak in fiscal 2024. Outside inbound demand, we expect conditions to largely return to normal. We are looking to enhance our PROMASER and CITIZEN L brands globally to raise their position.

Q)

What is your approach to price ranges for the PROMASER and CITIZEN L brands being rolled out as global brands?

A)

PROMASER in part reflects the trend in luxury sports and there is room for worldwide growth. The sustainable, ethical product concept of the CITIZEN L brand matches the needs of the times. We are envisaging prices starting at \$400 with a wide range at the top end. Some of the PROMASER series are multi-function products and are expected to sell for over \$1,000.

[Machine Tools Business]

Q)

The Machine Tools Business is cyclical. What ups and downs do you foresee over the next three years?

A)

The Machine Tools Business is quite susceptible to cyclical developments. The recent upturn in orders marks a sharp rise. There is usually thought to be a four-year cycle, but looking at recent developments, we cannot determine that forecasts based on previous cycles are appropriate.

Q)

Let me ask you about the low frequency vibration-cutting (LFV) technology. How has LFV contributed to business performance to date? Also, what is your future strategy for the technology?

A)

It has been more than a decade since this technology was released. At first, customers were skeptical about the concept of inducing vibration. We started sales in the domestic market and proved that the technology is capable of proper component processing and does not damage products. It also enables unattended 24-hour operation. Uptake of the technology has also expanded in European markets in response to growing needs for labor and personnel savings. The percentage of uptake in Asian markets is still low, but we are seeing strong performance in Taiwan. Going forward we will increase the models equipped with the technology and work to achieve differentiation from the competition. This will also help raise unit prices.