March 28, 2025
Citizen Watch Co., Ltd.

Main questions and answers at the Presentation
for Medium-term Management Plan 2027

Date/Time: March 28, 2025 (Friday) 2:00 p.m. - 3:00 p.m.
Participants from the Company:
Toshiyuki Furukawa, Managing Director; Yoshitaka Oji, Managing Director;
Hideo Ina, Director

Main questions and answers:

[General]

Q) My question is about “Action to Implement Management that is Conscious of Cost of Capital and Stock Price.” It seems to me that your ROE target of 9% is a level close to the current Medium-term Management Plan target and that growth investments are also along the same lines as before. What are the key points that will lead to improvement in PBR under the new Medium-term Management Plan?

A) Investment for growth and rationalization under the new plan is 10 billion yen more than under the current Medium-term Management Plan. More than 70% of the total investment amount is investment in core businesses, with a 50% increase for the Watches Business and a 30% decrease for the Machine Tools Business, which was a focus of investment under the current Medium-term Management Plan. Investments in the Watches Business include investment focused on mechanical watches and store-related investments on the sales promotion front, as well as e-commerce-related investments aimed at strengthening D2C in the United States. We set an ROE target of 9% or higher to enable us to maintain returns that exceed the cost of capital even when conditions change.

Q) My question concerns your shareholder return policy. The total amount for the three-year period of 35 billion yen will probably be reached through dividends alone. What is your approach to the acquisition of treasury stock?

A) Basically, we assume that dividends will amount to 35 billion yen. We put “or higher” because there could be situations where we consider the acquisition of treasury stock. Our policy on the acquisition of treasury stock is the same as the current Medium-term Management Plan, that is, the acquisition of treasury stock is to be judged flexibly depending on the situation, taking into account business performance, capital composition, investment plan, stock price and other market conditions.

[Watches]

Q) Under your current Medium-term Management Plan, you focused on increasing unit selling prices. Are further increases in unit selling prices possible going forward?

A) We think there will be no major change in the upward trend of unit selling prices, and we will continue increasing the prices of existing products and also improving the product mix through the launch of high value-added products.

Q) Please expand on the key strategy “Further step up initiatives in the North American market.”

A) We will add the FREDERIQUE CONSTANT brand to our CITIZEN and BULOVA brands, and expand the D2C channel. On our direct sales e-commerce website in particular, we will pursue growth and expansion by striking a balance between brand appeal and profitability. Through the launch of our ATESSA and The CITIZEN brands, we will strengthen the high-end price range and seek further rises in unit selling prices.

Q) What are your strategies in other regions besides North America?

A) As in North America, in Japan and Europe, we will seek to roll out high value added products. Moving forward, we intend to strengthen our sub-brands globally, including rolling out ATTESA, PROMASTER and Series 8. While sales in China remain lackluster, we will pursue sales expansion in the Asia region, especially India.

[Machine Tools]

Q) Why did you include expanding sales of the Miyano brand as a key strategy?

A) Miyano brand products are products with a high domestic sales ratio. In Europe and the United States, large machines capable of fairly complex production processes are required and we believe we can boost overall sales by rolling out Miyano brand products, which are highly rated in Japan, in Europe and the United States. We also intend to roll out Miyano brand products to the expanding Indian market as well.

Q) Your operating profit margin target is almost double the forecast for this fiscal year. Why?

A) Under the current Medium-term Management Plan, we expanded our production capacity with an eye on net sales of 100 billion yen; however, in fiscal 2024, which is an adjustment phase, we have not fully utilized this manufacturing infrastructure and our operating profit margin is expected to be around 8%. If we achieve net sales of 100 billion yen under the new Medium-term Management Plan, then we believe that an operating profit margin of 15% is fully achievable.