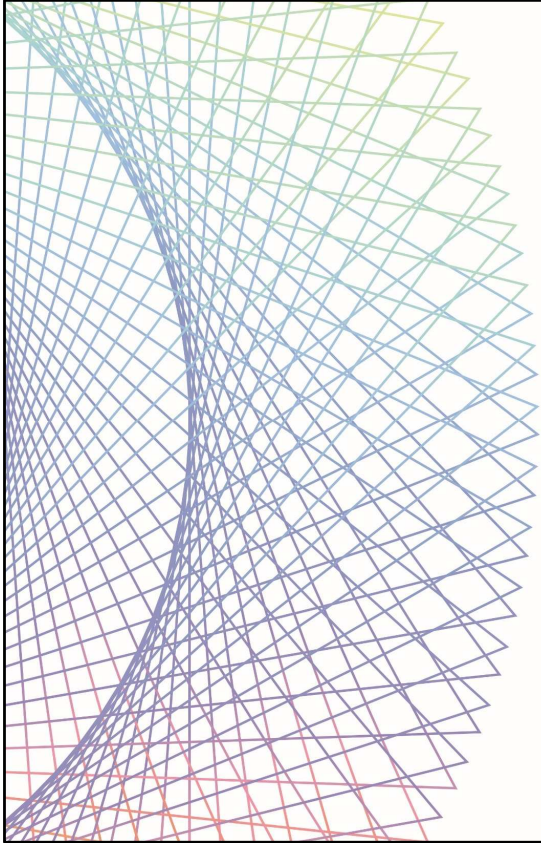


CITIZEN

**Earning Presentation**  
for Three months ended June 30, 2022

**CITIZEN WATCH CO., LTD.**  
August 12, 2022



## Financial Results for 1Q of FY 2022

My name is Toshiyuki Furukawa, in charge of the Public & Investor Relations Department.

I will provide an explanation on the financial results for the first quarter of fiscal 2022.

### Financial Results for 1Q of FY 2022

- Sales and profit increased, reflecting significant sales growth in Watches business the solid performance of the Machine Tools business.
- Ordinary profit climbed 69% year on year, partly due to the posting of foreign exchange gains.
- Profit attributable to owners of parent rose 65% year on year.

### FY 2022 Forecasts

- Net sales and operating profit remain unchanged from the previous forecast due to increasing uncertainty related to consumption trends reflecting heightened concerns over inflation.
- Ordinary profit and profit attributable to owners of parent reflected the amount equivalent to foreign exchange gains for the first quarter only.
- Net Sales 293.5 billion yen (Change from previous forecast: No change)  
 Operating profit 22.5 billion yen (Change from previous forecast: No change)  
 Ordinary profit 26.0 billion yen (Change from previous forecast: +2.0 billion yen)  
 Profit attributable to owners of parent 19.0 billion yen  
 (Change from previous forecast: +1.0 billion yen)

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Let me begin the presentation by explaining the key points of our financial results for the three months ended June 30, 2022. Net sales increased 9% year on year, and operating profit rose 32% year on year, reflecting a significant sales growth in Watches business and the solid performance of the Machine Tools business.

In addition, ordinary profit increased 69% year on year, partly due to the posting of foreign exchange gains. Profit attributable to owners of parent also increased, up 65% year on year.

I will move on to explain the fiscal 2022 full-year forecasts. We kept forecast net sales and operating profit unchanged from the previous forecasts, due to the increasing uncertainty of consumption trends which mainly reflects the growing concerns about inflation. However, we revised the ordinary profit forecast upward JPY 2.0 billion from the previous forecast, to JPY 26.0 billion, and the profit attributable to owners of parent forecast upward JPY 1.0 billion, to JPY 19.0 billion, reflecting the amount equivalent to foreign exchange gains posted in the first quarter, which was JPY 2.1 billion.

## Financial Results for 1Q of FY 2022

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(Unit : billion yen)	FY2021 1Q Result	FY2022 1Q Result	YoY Change	
			Amount	%
Net sales	65.7	71.3	+5.5	+8.5%
Operating profit	4.2	5.5	+1.3	+32.0%
Operating margin	6.4%	7.8%	-	-
Ordinary Profit	5.0	8.5	+3.4	+68.6%
Profit attributable to owners of parent	4.3	7.2	+2.8	+65.2%
Exchange rate	¥109/USD ¥131/EUR	¥126/USD ¥137/EUR	-	-

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This is the outline of the statement of income for the first quarter.

Net sales rose JPY 5.5 billion year on year, to JPY 71.3 billion.

Operating profit rose JPY 1.3 billion year on year, to JPY 5.5 billion with an operating margin of 7.8%.

Ordinary profit was JPY 8.5 billion, partly reflecting posting of JPY 2.1 billion in foreign exchange gains. Profit attributable to owners of parent was JPY 7.2 billion due to posting of extraordinary income of JPY 1.8 billion, including gain on sale of non-current assets.

## Result by Business Segments for 1Q of FY 2022

CITIZEN

Net sales (Unit: billion yen)	FY2021 1Q Result	FY2022 1Q Result	YoY change	
			Amount	%
■ Watches	29.0	35.1	+6.1	+21.1%
■ Machine Tools	18.6	19.9	+1.2	+6.9%
■ Devices and Components	13.1	10.9	▲ 2.1	▲16.4%
■ Electronic and Other Products	4.9	5.2	+0.3	+6.9%
Consolidated Total	65.7	71.3	+5.5	+8.5%
Operating Profit (Unit: billion yen, %:operating margin)				
■ Watches	1.4 (5.2%)	3.9 (11.2%)	+2.4	+163.9%
■ Machine Tools	2.6 (14.3%)	2.7 (13.5%)	+0.0	+1.0%
■ Devices and Components	0.9 (7.1%)	▲ 0.0 (▲0.5%)	▲ 0.9	-
■ Electronic and Other Products	0.3 (7.4%)	0.3 (6.6%)	▲ 0.0	▲3.5%
Eliminations or general corporate	▲ 1.2	▲ 1.3	▲ 0.1	-
Consolidated Total	4.2 (6.4%)	5.5 (7.8%)	+1.3	+32.0%

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This is the breakdown of financial results by business segment.

The Watches segment posted a 21% increase in net sales and a 164% increase in operating profit, exceeding targets.

The Machine Tools segment posted a 7% increase in net sales and a 1% increase in operating profit. The Devices and Components segment struggled and posted a decrease in both net sales and operating profit.

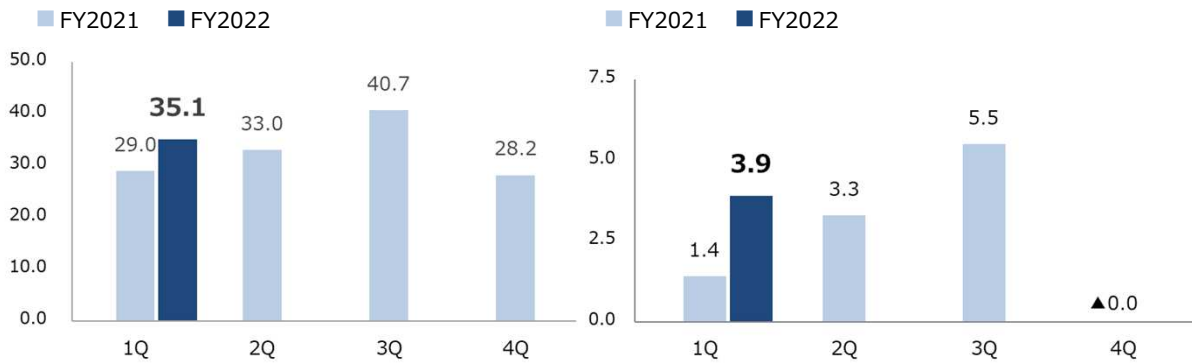
The Electronic and Other Products segment performed well, posting a 7% increase in net sales despite concerns about semiconductor procurement.

1Q

- **Finished watch sales** Although sales in the Chinese market declined due to the impact of the lockdown, strong performance the North American and European markets led to a significant increase in sales.
- **Movement sales** Sales of high value-added quartz movements remained firm, although mechanical movements did not grow as expected.

Net sales (billion yen)

Operating profit (billion yen)



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I will now give an overview of business by segment.

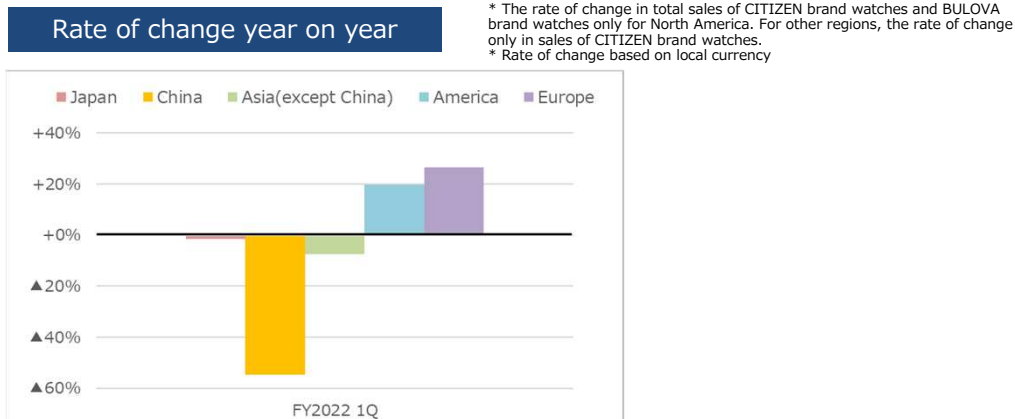
Regarding finished watch sales in the Watches segment, sales in China decreased due to the impact of the lockdowns, but overall sales increased significantly, driven by strong performance in North America and Europe.

Regarding sales of movements, sales of mechanical movements declined due to the plunge in the Chinese market. However, overall sales increased thanks to strong sales of standard movements in addition to high value-added quartz movements including multi-hand watches.

Operating profit increased to JPY 3.9 billion, mainly due to the effects of the increased net sales and foreign exchange rates.

## Watches Net sales growth rate by region

CITIZEN



The strong performances of North America and Europe contributed to a rise in overall sales, offsetting a significant decline in China.

- Japan Sales remained at the year-ago level, although consumer confidence was trending toward a recovery.
- China Sales decreased significantly due to lockdowns.
- Asia(except China) Sales fell as consumer confidence remained weak.
- America Sales for main distribution including department stores continued to be strong. Sales for tourism distribution were also recovering.
- Europe Sales rose, reflecting solid performances in the U.K., Italy and Spain, as well as France

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Next, I would like to talk about year-on-year changes in net sales by region.

The red bar indicates net sales in Japan, which remained flat year on year despite the gradual improvement in consumer confidence, due to the impact of the reduced flow of people due to the spread of the Omicron variant and extreme heat.

Sales in China, indicated in yellow, declined significantly due to logistics disruptions and sluggish consumption caused by lockdowns. Sales in Asia, shown in light green, also decreased with lack of strong consumption.

Sales in North America, shown in light blue, increased year on year due to the recovery in sales for tourism distribution, including sales aboard cruise ships, in addition to strong performance maintained in department stores and other main distribution channels.

Sales in Europe, indicated in light purple, also increased due to strong sales overall in the region, including in the U.K., Germany, France and Spain.

As in the previous year, increase in sales of products for Europe and North America contributed to a rise in sales overall.

The  
CITIZEN

The CITIZEN - Limited editions featuring  
*awashi*-based watch dials

- Launched two limited editions of the Iconic Nature Collection equipped with beautiful *Tosa washi*-based watch dials with a design featuring the concept of a window view of the four seasons
- Release date: August 25
- Recommended retail price: 385,000 yen (tax included)
- Quantity: globally 250 units only

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Next, I would like to explain new products related to initiatives for empowering premium brands that we included in the Medium-term Management Plan.

We will launch the second version of the Iconic Nature Collection of The CITIZEN, the top-of-the-range Citizen brand watch, featuring Tosa washi-based watch dials. These watches feature beautiful seasonal scenes which look like borrowed landscapes seen through windows.

Named Ayanishiki and Shijima, these two models feature watch dials using unryushi paper. This paper features a fiber pattern which looks like a dragon flying in the clouds, creating a beautiful color gradation.





#### Campanola - Heaven and Earth, the first tourbillon-based models

- Launched two models featuring the combination of a thin and tourbillon-equipped mechanical movement, which was adopted for the brand for the first time, together with an Aizu urushi-based watch dial.
- Release date: June 1
- Recommended retail price: 9,350,000 yen (tax included)
- Quantity: 5 units only for each model



#### Campanola - Moot Time Cosmosign collection

- Launched a model equipped with a Campanola's original moon age-based watch dial that shows the moon age, the positions of the moon and the sun and sunrise and sunset times by accurately recreating the waxing and waning of the moon on the watch dial.
- Release date: May 26
- Recommended retail price: 352,000 yen (tax included)
- Quantity: 150 units

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In CAMPANOLA, we launched the Global Art Collection, which features movements with complicated mechanisms from La Joux-Perret S.A., our affiliate, and combines traditional Japanese aesthetics with Swiss watchmaking.

Heaven and Earth, the first version, feature the combination of a thin, flying tourbillon-equipped mechanical movement with an Aizu urushi-based watch dial. They express the beauty of emptiness, with the infinite universe confined in the tiny space covered with glass.

Further, the Cosmosign collection's Moon Time, launched in May, is a limited model which shows the waxing and waning of the moon, evoking a yearning for the universe. It features a combination of warm-gray moons on a black background, reminiscent of an astronomical clock from medieval Europe, with a navy and gold bezel ring. It adds a classical atmosphere to the scientific appeal of an astronomical clock. This model has already sold out in terms of sales to retailers.

## ATTESA



### CITIZEN ATTESA - Model featuring collaboration with HAKUTO-R

- The second limited edition of the brand's 35th anniversary model - Unveiled a model featuring collaboration with the HAKUTO-R private lunar surface survey program.
- Sales were strong in the overseas market as well.
- Release date: July 7
- Recommended retail price: 319,000 yen (tax included)
- Quantity: 1,000 units worldwide



depicts the unique lunar surface patterns with newly developed Recrystallized Titanium

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In addition, CITIZEN ATTESA launched a model featuring a collaboration with the HAKUTO-R private lunar surface survey program, as the second version of the brand's 35th anniversary model.

Super Titanium, which is made scratch-resistant by applying Duratect DLC, is used as a material for the parts of lunar landers.

Further, the surface patterns of the newly developed recrystallized titanium, which is used for the center links of the watch band, look like the lunar surface seen from different angles, evoking the HAKUTO-R mission that is about to begin.

This model has also sold out in terms of sales to retailers.

1Q

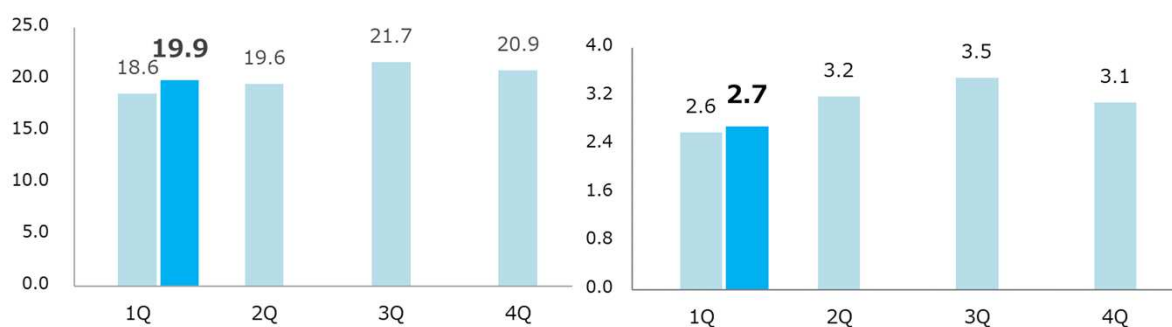
- Domestic sales Sales increased due to strong sales for a wide range of industries, including semiconductors and construction machinery, offsetting sluggish sales for the automotive industry.
- Overseas sales Sales increased in response to strong demand for capital expenditures, mainly in Europe and the Americas.

Net sales (billion yen)

Operating profit (billion yen)

FY2021 FY2022

FY2021 FY2022



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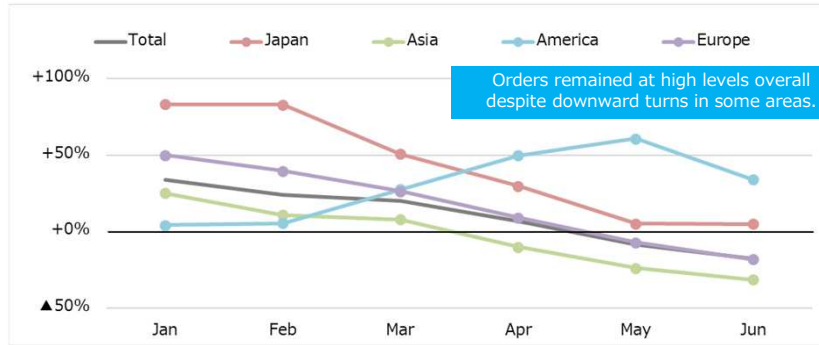
Now, I will provide an overview of the business results in the Machine Tools business.

While delays in the procurement of parts and materials have yet to be improved, domestic sales increased due to strong sales for a wide range of industries, including semiconductors and construction machinery, offsetting sluggish sales for the automotive industry.

Overseas sales increased due to strong capital expenditures in the medical services industry and other industries, mainly in Europe and the Americas.

While we secured a 7% year-on-year increase in net sales, to JPY 19.9 billion, operating profit increased only slightly due in part to the impact of an increase in logistics costs and the rising prices of parts and materials.

■ Rate of change year on year (three-month moving average of the numbers of units in orders received)



■ Rate of change year on year for 1Q (Quarterly number of units in orders received)

- Total ▲18% Decreased in Asia and European areas, reflecting extended delivery time linked to difficulty with parts procurement.
- Japan +5% Semiconductors and construction machinery remained strong, offsetting slower-than-expected growth of automobiles.
- Asia ▲32% Demand remained strong in a range of industries in Asia except China, where demand decreased due to the impact of lockdowns.
- America +34% Active capital investment particularly in medical-service related industries continued.
- Europe ▲18% An increasingly cautious attitude was seen in capital investment, although orders remained at high levels.

This slide shows the status of orders received by region.

The line graph shows the three-month moving average of orders received and the percentage change year on year.

Orders received decreased year on year because they were especially high in the first quarter of the previous year. However, orders received have remained above the sales target, and the order backlog continued to increase.

Because we increased prices starting from orders received in June, orders received increased in the Americas and some other regions due to rush demand in anticipation of the price increase.

Bullet points below the graph show the growth rates of orders by region in the first quarter compared to the same period of the previous year.

In units, overall orders decreased 18% year on year, signaling a halt, but remained at a high level. Compared to the previous quarter, orders received decreased 5%.

Orders received in Japan increased 5% year on year due to strong orders associated with semiconductors and construction machinery, offsetting sluggish growth of orders related to automobiles attributed to reduction in automotive production.

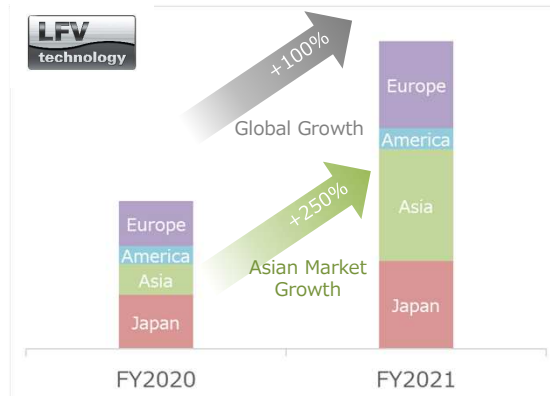
In Asia, orders received in the region as a whole decreased 32% year on year, significantly affected by the lockdowns in China.

In the Americas, aggressive capital investment continued, mainly in the medical services industry, and orders increased 34% year on year.

In Europe, orders received remained at a high level although they decreased 18% year on year, reflecting a cautious attitude toward capital investment in the automotive and other industries.



Total number of LFV-equipped machines shipped globally



- Global shipments of LFV-equipped machines doubled year-on-year.
- Substantial increase in Asian markets as well due to growing demand for production efficiency

※ The low frequency vibration-cutting (LFV) technology is CITIZEN's original processing technology that facilitates processing while simultaneously breaking chips into very fine pieces.

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Next, I will explain our initiatives for differentiation with processing technologies, which is our value-adding strategy for the Machine Tools business.

LFV, low frequency vibration-cutting technology, is CITIZEN's proprietary control technology. We have been expanding LFV globally as a technology that solves problems related to chips generated during cutting.

We have implemented the technology mainly in Japan and Europe. In FY2021, however, significant growth was achieved in the Asian market.

In FY2021, net sales in the Machine Tools business increased 70% year on year while sales of machines with LFV increased 100% year on year.

The Asian market had been a price-sensitive region, so these machines have not become as widespread as in the European and North American markets. In FY2021, however, the benefits of machines with LFV began to be widely known.

## Devices and Components (Operating Performance)

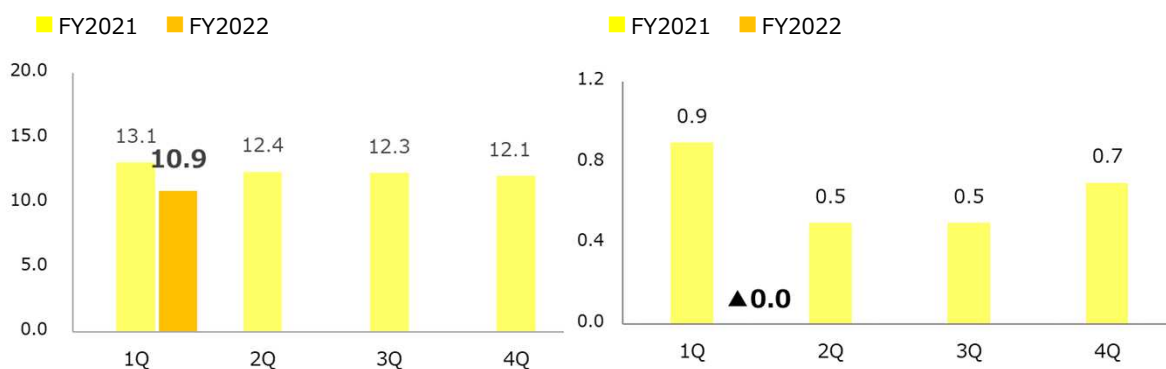
CITIZEN

1Q

- Precision components**  
 Sales of automotive parts decreased due to the impact of production reductions by car manufacturers, etc. Sales of quartz devices remained at the year-ago level, reflecting a slowdown in IoT demand. Sales of small motors for medical equipment and semiconductor applications remained strong, but did not grow as expected due to the impact of difficulties in parts procurement.
- Opto-devices**  
 Sales of LEDs for lighting decreased due to the significant impact of lockdowns in China, coupled with decreased sales of in-vehicle LEDs.

Net sales (billion yen)

Operating profit (billion yen)



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Finally, I will explain the Devices and Components business.

Net sales were JPY 10.9 billion, down 16% year on year. Operating profit decreased by JPY 0.9 billion from the year-ago level.

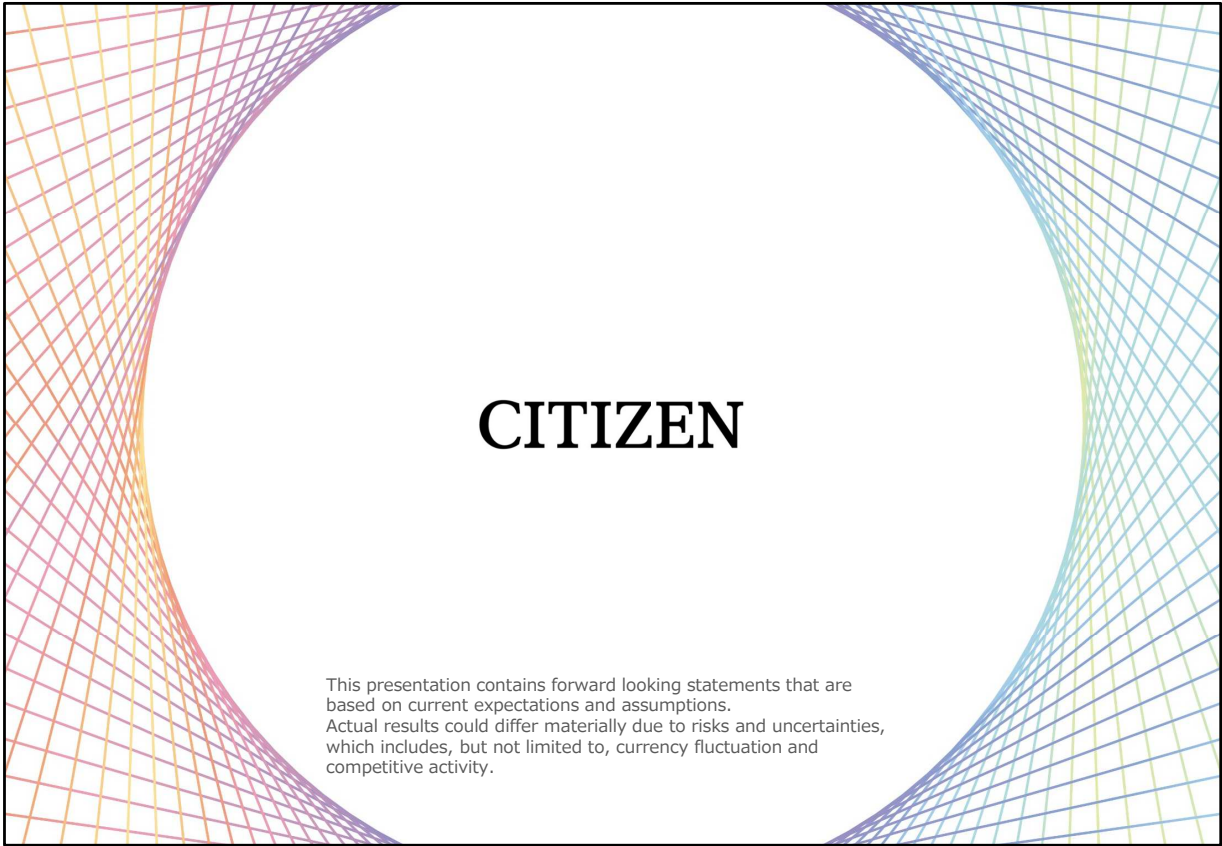
Main factors for the downward swing were opt-devices and automotive parts.

Sales of automotive parts decreased due to the impact of reduction in automotive production, which particularly affected sales to customers in Japan. They are expected to begin recovering in the second half.

Sales of quartz devices and small motors grew sluggishly and remained at the year-ago level.

Sales of opt-devices decreased significantly because inventory liquidation by customers did not make progress, particularly for LEDs for lighting, due in part to the impact of the lockdowns in China and the difficulty of procuring semiconductors, parts, and materials.

Sales of in-vehicle LEDs also decreased. Thus, net sales and operating profit in the overall Devices and Components business decreased year on year.



That concludes my presentation.  
Thank you for your attention.

## FY 2022 Forecasts

(Unit: billion yen)	FY2022 Forecast (5/12)		FY2022 Forecast (8/12)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Net sales	142.5	293.5	142.5	293.5	+0.0	+0.0
Operating profit	10.5	22.5	10.5	22.5	+0.0	+0.0
Operating margin	7.4%	7.7%	7.4%	7.7%	-	-
Ordinary Profit	11.0	24.0	13.0	26.0	+2.0	+2.0
Profit attributable to owners of parent	8.0	18.0	9.0	19.0	+1.0	+1.0
Exchange rate	¥120/USD ¥130/EUR	¥120/USD ¥130/EUR	¥120/USD ¥130/EUR	¥120/USD ¥130/EUR	-	-

■ Exchange rate impact (1 weaker yen, Annual)

Net sales	USD	EUR	Operating profit	USD	EUR
	+0.9	+0.4		+0.25	+0.2



## FY2022 Forecast by Business Segment

Net sales (Unit: billion yen)	FY2022 Forecast (5/12)		FY2022 Forecast (8/12)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
■ Watches	68.0	142.0	68.0	142.0	+0.0	+0.0
■ Machine Tools	41.0	82.0	41.0	82.0	+0.0	+0.0
■ Devices and Components	25.0	51.0	25.0	51.0	+0.0	+0.0
■ Electronic Products and Others	8.5	18.5	8.5	18.5	+0.0	+0.0
Consolidated Total	142.5	293.5	142.5	293.5	+0.0	+0.0
Operating Profit (Unit: billion yen, %:operating margin)						
■ Watches	5.4 (7.9%)	11.5 (8.1%)	5.4 (7.9%)	11.5 (8.1%)	+0.0	+0.0
■ Machine Tools	6.4 (15.6%)	12.8 (15.6%)	6.4 (15.6%)	12.8 (15.6%)	+0.0	+0.0
■ Devices and Components	1.2 (4.8%)	2.9 (5.7%)	1.2 (4.8%)	2.9 (5.7%)	+0.0	+0.0
■ Electronic Products and Others	0.3 (3.5%)	0.8 (4.3%)	0.3 (3.5%)	0.8 (4.3%)	+0.0	+0.0
Eliminations or general corporate	▲ 2.8	▲ 5.5	▲ 2.8	▲ 5.5	+0.0	+0.0
Consolidated Total	10.5 (7.4%)	22.5 (7.7%)	10.5 (7.4%)	22.5 (7.7%)	+0.0	+0.0

■ No change in net sales and operating income from the forecast as of May 12, 2022