

CITIZEN



Earning Presentation
for Nine months ended December 31, 2022

CITIZEN WATCH CO., LTD.

February 13, 2023

Financial Results for 3Q 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 third quarter of fiscal 2022.

Financial Results for 1-3Q (Apr-Dec) of FY 2022

- Sales and profit increased, reflecting sales growth in the mainstay Watches segment.
- Watches: Sales of finished products continued to increase in the third quarter (Oct - Dec) as well, mainly in the North American market.
- Machine Tools: Sales increased, reflecting progress in production and shipment due to improvements in the parts procurement environment.

Acquisition of treasury stock

- To enhance shareholder return and increase capital efficiency
- Total number of shares that can be acquired: 75,000,000 shares (maximum)
Total stock acquisition cost: 40 billion yen (maximum)
Acquisition period: February 16, 2023 - February 15, 2024

FY 2022 Forecasts

- The full-year results forecast remains unchanged.

Let me begin the presentation by explaining the key points of our financial results for the nine month ended December 31, 2022.

The financial results for the first nine months posted higher sales and profits, reflecting a 6.8% year-on-year increase in net sales and a 7.1% year-on-year increase in operating profit, driven by continued growth in sales in the mainstay Watches segment.

In the Watches segment, sales and profit continued to grow for the third quarter, mainly driven by finished watch sales in the North American and European markets.

In the Machine Tools segment, sales increased, reflecting progress in production and shipments due to gradual improvements in the parts procurement environment.

As there are signs that the COVID-19 pandemic is easing, we made some progress in bolstering our financial structure, as set out in the medium-term management plan.

We expect to fulfill the ROE target of 8% or higher set in the medium-term management plan within fiscal 2022, which is the first year of the plan. We had some positive achievements in profitability enhancement. In consideration of the policy of the Tokyo Stock Exchange, we have decided to purchase treasury shares for up to JPY 40 billion To enhance shareholder return and increase capital efficiency.

We are keeping our full-year forecasts for fiscal 2022 unchanged from those announced previously.

Financial Results for 1-3Q (Apr-Dec) of FY 2022

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(Unit : billion yen)	FY2021	FY2022	YoY Change	
	1-3Q (Apr-Dec) Result	1-3Q (Apr-Dec) Result	Amount	%
Net sales	215.6	230.1	+14.5	+6.8%
Operating profit	19.6	21.0	+1.3	+7.1%
Operating margin	9.1%	9.1%	-	-
Ordinary Profit	22.3	24.4	+2.1	+9.5%
Profit attributable to owners of parent	17.1	19.6	+2.5	+14.6%
Exchange rate	¥111/USD ¥131/EUR	¥135/USD ¥140/EUR		

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

Net sales and operating profit stood at JPY 230.1 billion and JPY 21.0 billion, with an operating margin of 9.1%.

Ordinary profit reached JPY 24.4 billion, up 9.5% year on year.

Profit attributable to owners of parent was JPY 19.6 billion, up 14.6% year on

Result by Business Segments for 1-3Q (Apr-Dec) of FY 2022

CITIZEN

Net sales (Unit : billion yen)	FY2021	FY2022	YoY Change	
	1-3Q(Apr-Dec) Result	1-3Q(Apr-Dec) Result	Amount	%
Watches	102.8	117.3	+ 14.4	+14.1%
Machine Tools	60.0	63.3	+ 3.2	+5.5%
Devices and Components	37.8	34.1	▲ 3.6	▲9.7%
Electronic and Other Products	14.7	15.2	+ 0.4	+3.2%
合計	215.6	230.1	+ 14.5	+6.8%
Operating Profit (Unit: billion yen, %:operating margin)				
Watches	10.3 (10.1%)	15.7 (13.4%)	+ 5.3	+51.8%
Machine Tools	9.4 (15.7%)	8.4 (13.3%)	▲ 0.9	▲10.3%
Devices and Components	2.1 (5.6%)	▲ 0.1 (▲0.5%)	▲ 2.2	-
Electronic and Other Products	1.0 (7.2%)	0.9 (6.4%)	▲ 0.0	▲7.8%
Eliminations or general corporate	▲ 3.3	▲ 3.9	▲ 0.6	-
Consolidated Total	19.6 (9.1%)	21.0 (9.1%)	+ 1.3	+7.1%

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We are now looking at financial results by segment.

The Watches segment continued to perform strongly, achieving an 14.1% year-on-year increase in net sales and an 51.8% year-on-year increase in operating profit, or the operating margin of 13.4%.

The Machine Tools segment posted a 5.5% increase in net sales, but a 10.3% decrease in operating profit, both on a year-on-year basis, due chiefly to the impact of higher costs of parts and materials.

The Devices and Components segment saw net sales and operating profit decline. The Electronic and Other Products segment attained a net sales increase and kept operating profit at the level of the same period a year earlier.

Financial Results for 3Q (Oct-Dec) of FY 2022

CITIZEN

(Unit : billion yen)	FY2021	FY2022	YoY Change	
	3Q(Oct-Dec) Result	3Q(Oct-Dec) Result	Amount	%
Net sales	79.8	82.4	+2.6	+3.3%
Operating profit	8.9	8.6	▲ 0.2	▲ 3.1%
Operating margin	11.2%	10.5%	-	-
Ordinary Profit	10.2	7.6	▲ 2.5	▲ 25.4%
Profit attributable to owners of parent	7.3	7.0	▲ 0.2	▲ 3.7%
Exchange rate	¥113/USD ¥130/EUR	¥144/USD ¥144/EUR		

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Next, I will be explaining consolidated results for the third quarter alone.

Net sales stood at JPY 82.4 billion, up 3.3% year on year, operating profit at JPY 8.6 billion, down 3.1%, the operating profit margin at 10.5%, ordinary profit at JPY 7.6 billion, down 25.4% year on year, and profit attributable to owners of parent at JPY 7.0 billion, down 3.7% year on year.

Result by Business Segments for 3Q (Oct-Dec) of FY 2022

CITIZEN

Net sales (Unit : billion yen)	FY2021	FY2022	YoY Change	
	3Q(Oct-Dec) Result	3Q(Oct-Dec) Result	Amount	%
Watches	40.7	43.9	+ 3.1	+7.8%
Machine Tools	21.7	22.4	+ 0.7	+3.2%
Devices and Components	12.3	11.2	▲ 1.0	▲8.6%
Electronic and Other Products	4.9	4.7	▲ 0.1	▲3.9%
合計	79.8	82.4	+ 2.6	+3.3%
Operating Profit				
(Unit: billion yen, %:operating margin)				
Watches	5.5 (13.6%)	6.9 (15.9%)	+ 1.4	+25.5%
Machine Tools	3.5 (16.2%)	2.9 (13.0%)	▲ 0.6	▲17.3%
Devices and Components	0.5 (4.8%)	▲ 0.1 (▲1.7%)	▲ 0.7	-
Electronic and Other Products	0.3 (6.4%)	0.2 (4.9%)	▲ 0.0	▲26.8%
Eliminations or general corporate	▲ 1.0	▲ 1.2	▲ 0.2	-
Consolidated Total	8.9 (11.2%)	8.6 (10.5%)	▲ 0.2	▲3.1%

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This list shows financial results by business segment for the third quarter.
I will provide an overview of each business in the next slide.

Watches (Operating Performance)

CITIZEN

3Q (Oct-Dec)

■ Finished watch sales

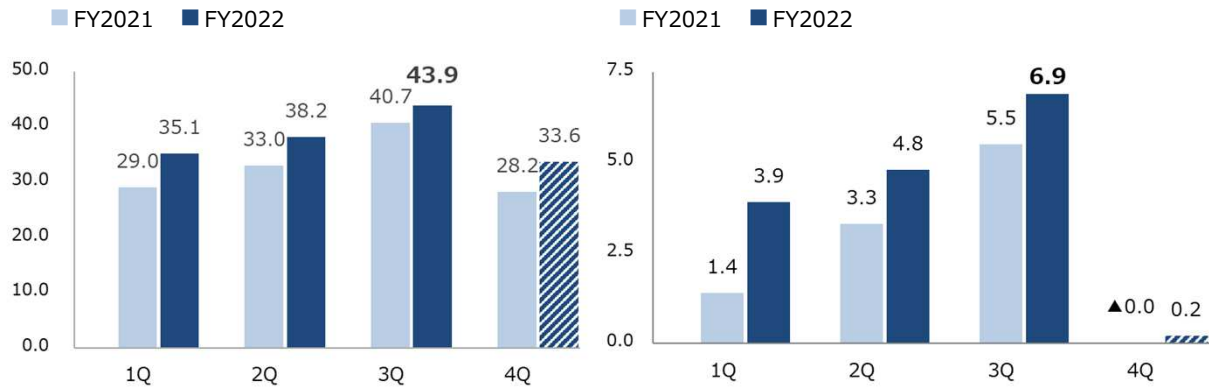
Sales increased, reflecting the continuing trend toward a moderate recovery in the domestic market and strong sales in the year-end shopping season in North America and Europe.

■ Movement sales

Sales decreased given a weak recovery in demand for both mechanical and analog quartz movements.

Net sales (billion yen)

Operating profit (billion yen)



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Slide 8 shows the results for the Watches segment.

Net sales in the third quarter increased 7.8% year on year, to JPY 43.9 billion. Operating profit rose 25.5% year on year, to JPY 6.9 billion.

Finished watch sales increased. In Japan, the trend towards a mild recovery continued. In North America and Europe, strong sales were attained in the year-end shopping season amid accelerating inflation.

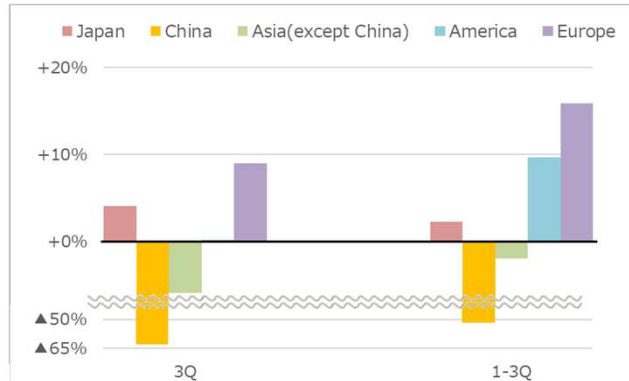
Movement sales contracted, given a weak recovery in demand for both mechanical and analog quartz movements.

Watches Net sales growth rate by region

CITIZEN

Rate of change year on year

* The rate of change in total sales of CITIZEN brand watches and BULOVA brand watches only for North America. For other regions, the rate of change only in sales of CITIZEN brand watches.
* Rate of change based on local currency



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

■ Japan	Sales increased, reflecting the solid performance of new products in particular, although consumer confidence declined due to the rising cost of living.
■ China	Sales decreased due to the absence of a recovery in consumption following the resurgence of COVID-19, despite the easing of movement restrictions.
■ Asia (except China)	Sales were trending toward a recovery in India, Singapore, etc.
■ America	Sell-through remains strong in the year-end sales season.
■ Europe	Sales increased due to strong sales in the U.K., Germany and France, among other countries.

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This slide shows net sales growth rate by region.

The bars on the left-hand side represent year-on-year changes in sales in the third quarter while those on the right-hand side show such changes in the nine months.

I will provide an explanation for the third quarter, or the bars on the left-hand side.

The red bars represent changes in Japan. Net sales increased, reflecting the solid performance of new products and high-priced items, although consumer confidence declined due to rising prices of a wide range of goods, including daily necessities.

Sales in China indicated by the yellow bar, decreased due to the absence of a recovery in consumption following the resurgence of COVID-19, despite the easing of movement restrictions.

The light green bars represent changes in Asia. Sales were buoyant in India and Singapore, but in the overall region, the recovery was weak and net sales dropped.

The light blue bars represent changes in North America. While sell-in was almost flat from the same period in the previous year, sell-through remained strong in the year-end sales season. In January, we received orders for replenishment. That resulted in sales growth.

Sales in Europe, indicated by the light purple bar, also increased because sales continued to be strong in the region, particularly in the U.K., Germany and France.

Launch of the limited edition of "The CITIZEN" mechanical model

- Launched limited models equipped with the in-house developed Caliber 0200 high-precision mechanical movement, featuring detail inspired by Japanese armor.
- Release date: December 8, 2022
- Recommended retail price: 968,000 yen (tax included)
- 90 units only worldwide and limited



CITIZEN and Manufacture La Joux-Perret S.A., a Group company, leveraged the two companies' expertise to develop the Cal.0200 mechanical movement that features high precision and aesthetics

Next, I would like to explain initiatives in Watches segment for empowering premium brands. We released a limited edition of The CITIZEN mechanical models in December. It is equipped with the Caliber 0200 high-accuracy mechanical movement. Its dial, case and other details feature careful designs inspired by Japanese armor. It produced such a sensation and has already sold out. Sales of The CITIZEN, CAMPANOLA and other premium brands for the nine months climbed 36% year on year.

The Blue Universe Collection, the limited edition models released as the third step to celebrate the 35 anniversary of the CITIZEN ATTESA

- The models feature the use of the newly developed Duratect DLC Blue, which achieves a distinctive blue color while maintaining the features of CITIZEN's proprietary Duratect DLC surface hardening technology.
- The Blue Universe Collection has been released, featuring designs created to beautifully express glittering outer space, which could only be done by ATTESA.
- Release date: November 10, 2022
- Recommended retail price: 132,000 yen - 318,000 yen (tax included)
- 1,000 - 1,900 units worldwide



The models feature the newly developed Duratect DLC Blue on the bezel and the middle link of the strap.

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Next, let me show the Blue Universe Collection, the limited edition models released as the third step to celebrate the 35 anniversary of the CITIZEN ATTESA.

They feature the use of the newly developed Duratect DLC Blue, which achieves a distinctive blue color while maintaining the features of CITIZEN's proprietary Duratect DLC surface hardening technology.

The ATTESA incorporates a unique material, Super Titanium™. It has been adopted in the HAKUTO-R private lunar exploration program.

It adds new appeal to the unique look of titanium.

3Q (Oct-Dec)

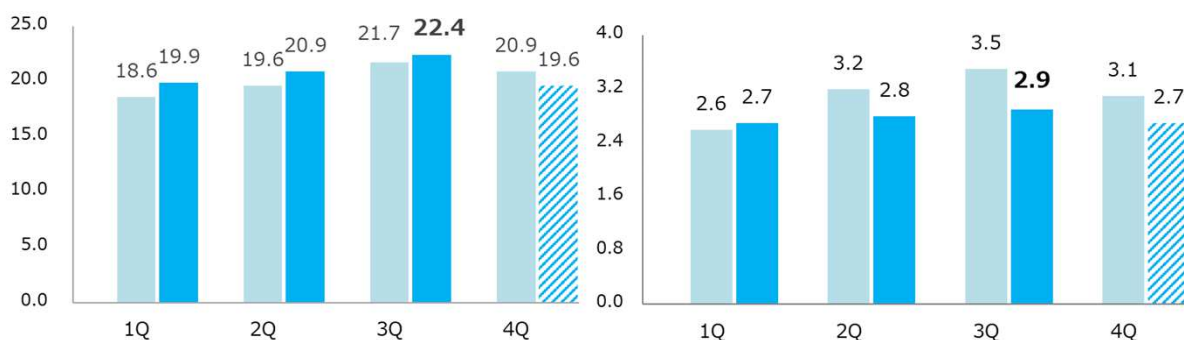
- Domestic sales Sales increased due to the strong performance of semiconductors and construction machinery, offsetting sluggish sales for the automotive industry.
- Overseas sales Sales decreased slightly due to a decline in the markets of China and Asia, notwithstanding continued strength in demand for capital expenditures, especially in Europe and the United States.

Net sales (billion yen)

Operating profit (billion yen)

FY2021 FY2022

FY2021 FY2022



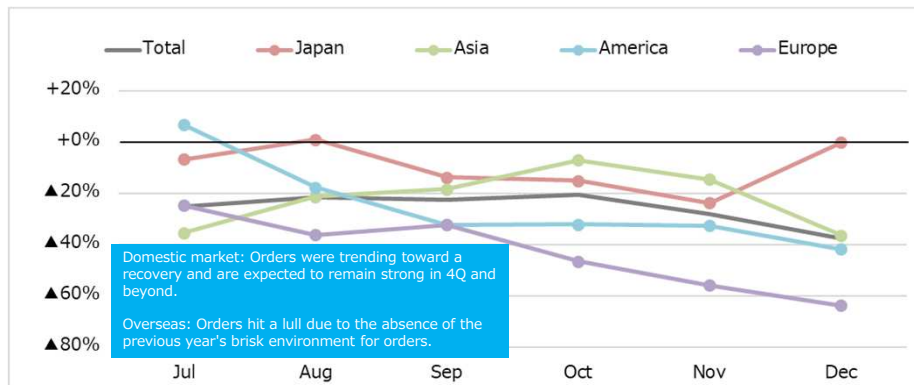
Now, I will provide an overview of the business results in the Machine Tools business.

Net sales were JPY 22.4 billion, up 3.2% year on year. However, operating profit stood at JPY 2.9 billion, impacted by rising costs of materials, transportation and energy. The operating profit margin stood at 13.0%.

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 decreased slightly. This is due to a decline in the markets of China and Asia, notwithstanding continued strength in demand for capital expenditures in Europe and in the Americas.

Difficulties in procuring parts and materials are gradually being eased. Production increased and net sales rose to a record high quarterly level.

■ 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 3Q (Quarterly number of units in orders received)

- Total ▲37%
- Japan +0% Semiconductors and construction machinery in particular underpinned the business, despite the decline of automobiles due to production cutbacks and other factors.
- Asia ▲36% Orders were strong in Korea and India, among other countries, but they decreased in China and other regions.
- America ▲42% Growth in orders slowed on rising concern over a recession, as lead times continued to grow.
- Europe ▲64% The increase in appetite for capital investment came to a halt, mainly reflecting concern over a economic recession.

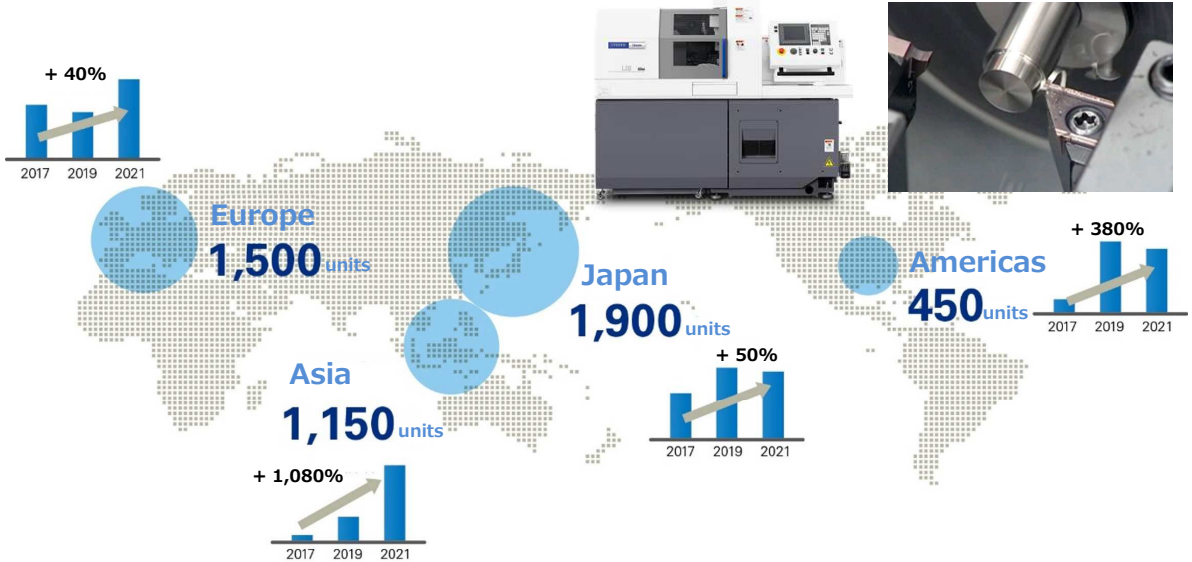
This slide shows the status of orders received by region.

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

In Japan, orders remained flat. Orders related to automobiles fell because of decreased production, while those related to semiconductors and construction machinery were buoyant. In Asia, orders were strong in Korea and India, among other countries. Meanwhile, they plunged in China and other regions. In the overall Asian region, orders were down 36% year on year. In the Americas, orders decreased 42% year on year amid growing concern about a recession, despite continued positive capital investment, mainly in the medical services industry. In Europe as well, orders decreased 64% year on year, as the appetite for capital investment came to a halt amid rising concern about an economic slowdown. In November and December, orders declined. However, they rallied in January, especially in Europe and Japan. They were compatible with the level of around half a year earlier.

Shipments of LFV-equipped machines remained strong and the total number of machines shipped exceeded 5,000 units.

- After the launch of the machines in 2013, companies operating in Japan and Europe began to introduce them, followed by those operating in Americas and Asia.
- The number of LFV-equipped machine models increased to 13, and will gradually be enhanced going forward.



Let me move on to our efforts to achieve differentiation by leveraging processing technologies in the Machine Tools segment.

Low frequency vibration-cutting, or LFV, is one of Citizen's proprietary technologies, which helps increase production efficiency, which was an issue on the shop floor. After LFV-equipped machines were launched in 2013, companies operating in Japan and Europe began to introduce them. In recent years, they were also introduced in Asia and the Americas. Cumulative total shipments surpassed 5,000 units in January 2023.

Major growth in units introduced is being seen, particularly in the Asian market. We will step up our efforts with a view to continued expansion.

Devices and Components (Operating Performance)

CITIZEN

3Q (Oct-Dec)

■ Precision components

Sales of automotive parts were sluggish given signs of a delay in the recovery of production among automobile manufacturers. Sales of quartz devices took a downward turn, reflecting a slowdown in IoT demand.

Small motors for medical equipment and semiconductor applications performed solidly, but sales decreased slightly due to the impact of difficulties in parts procurement.

■ Opto-devices

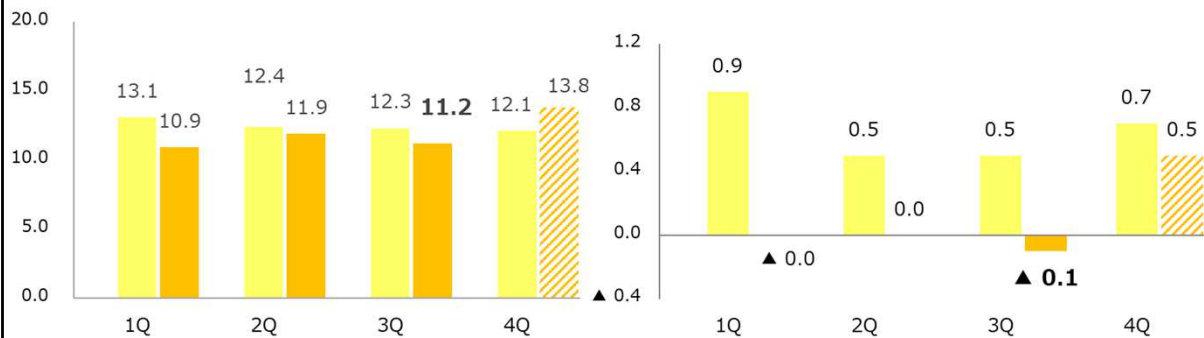
Sales decreased because of sluggish demand for LEDs for lighting equipment in particular.

Net sales (billion yen)

Operating profit (billion yen)

■ FY2021 ■ FY2022

■ FY2021 ■ FY2022



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I will explain the Devices and Components business.

Net sales stood at JPY 11.2 billion, down 8.6% year on year, and an operating loss of JPY 0.1 billion was posted.

Sales of automotive parts were sluggish given signs of a delay in the recovery of production among automobile manufacturers. Sales of quartz devices took a downward turn, reflecting a slowdown in IoT demand.

Sales of small motors decreased slightly due to difficulties in parts procurement, although orders continued to be received in the medical, semiconductor and many other areas.

Sales of opto-devices decreased amid shrinking demand, particularly for LEDs for lighting equipment. The overall segment experienced declines in both sales and profit.

The CITIZEN Group obtained SBT certification for its greenhouse gas emissions reduction targets



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Greenhouse gas emissions reduction targets in the CITIZEN Group Environmental Goals 2030

Scope 1 and 2 50.4% reduction (from the level in FY2018) by FY2030: Equivalent to the 1.5°C level target*.

Scope 3 30% reduction (from the level in FY2018) by FY2030 with respect to Category 1 and Category 11.

The target aims to limit rises in global temperature to 1.5°C above the preindustrial era levels. Greenhouse gas emissions reductions by at least 4.2% per year are being sought.

I would like now to touch on our response to climate change.

The CITIZEN Group obtained certification from the Science Based Targets (SBT) initiative for its greenhouse gas emission reduction targets towards 2030, which we call the CITIZEN Group Environmental Goals 2030.

We had aimed to obtain it by the end of fiscal 2024, within the period of our medium-term management plan, but we were able to do so in the first fiscal year of the plan, namely fiscal 2022.

FY 2022 Forecasts



(Unit : billion yen)	FY2022 Forecast (11/14 E)		FY2022 Forecast (2/13 E)		Change	
	2H(Oct-Mar)	Full Year	2H(Oct-Mar)	Full Year	2H	Full Year
Net sales	155.3	303.0	155.3	303.0	+0.0	+0.0
Operating profit	10.6	23.0	10.6	23.0	+0.0	+0.0
Operating margin	6.9%	7.6%	6.9%	7.6%	-	-
Ordinary Profit	10.6	27.5	10.6	27.5	+0.0	+0.0
Profit attributable to owners of parent	7.3	20.0	7.3	20.0	+0.0	+0.0
Exchange rate	¥140/USD ¥140/EUR	¥136/USD ¥139/EUR	¥140/USD ¥140/EUR	¥136/USD ¥139/EUR		

■ Exchange rate impact (1 weaker yen, Annual)

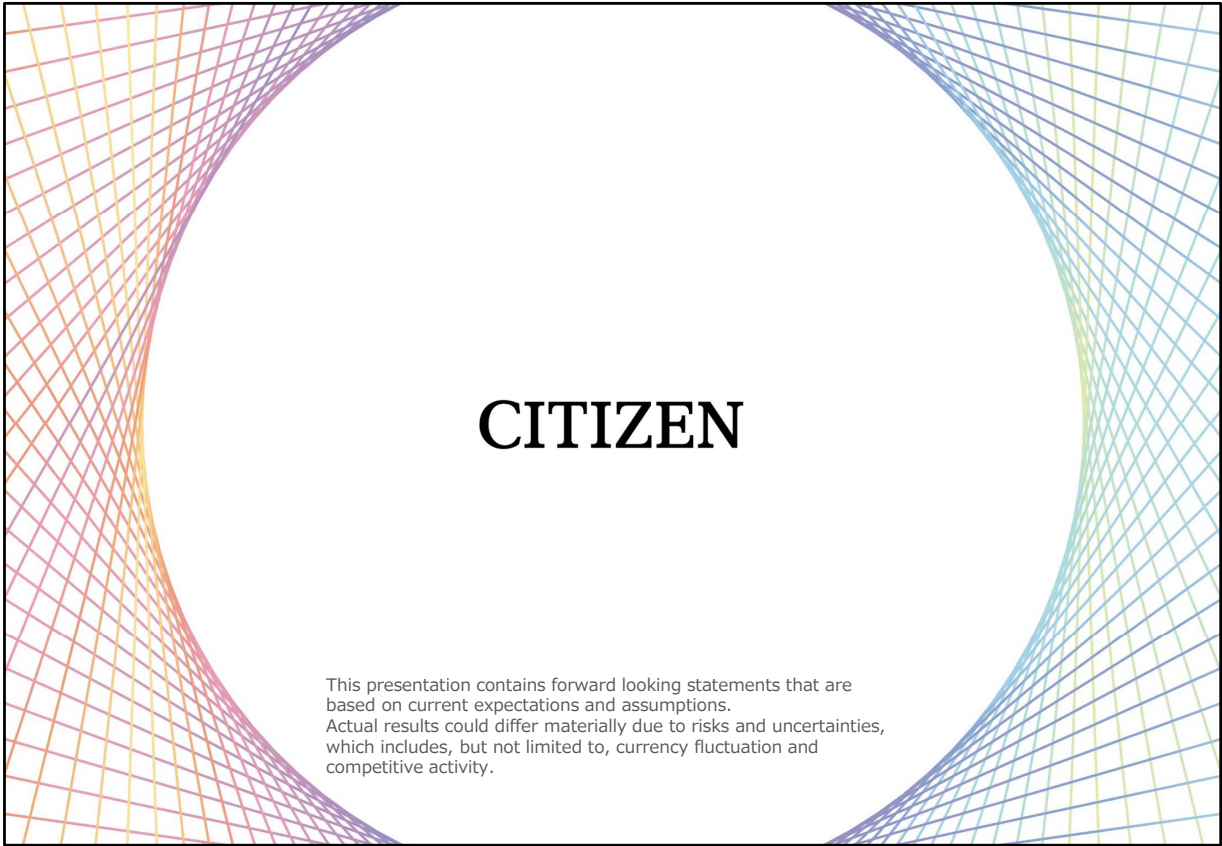
Net sales	USD	EUR	Operating profit	USD	EUR
	+0.9	+0.4		+0.25	+0.2

As I already mentioned, our second half and full year earnings forecasts remain unchanged from those previously announced.

FY2022 Forecast by Business Segment

CITIZEN

Net sales (Unit : billion yen)	FY2022 Forecast (11/14 E)		FY2022 Forecast (2/13 E)		Change	
	2H(Oct-Mar)	Full Year	2H(Oct-Mar)	Full Year	2H	Full Year
Watches	77.6	151.0	77.6	151.0	+0.0	+0.0
Machine Tools	42.0	83.0	42.0	83.0	+0.0	+0.0
Devices and Components	25.0	48.0	25.0	48.0	+0.0	+0.0
Electronic and Other Products	10.5	21.0	10.5	21.0	+0.0	+0.0
合計	155.3	303.0	155.3	303.0	+0.0	+0.0
Operating Profit						
(Unit: billion yen, %:operating margin)						
Watches	7.1 (9.3%)	16.0 (10.6%)	7.1 (9.3%)	16.0 (10.6%)	+0.0	+0.0
Machine Tools	5.6 (13.5%)	11.2 (13.5%)	5.6 (13.5%)	11.2 (13.5%)	+0.0	+0.0
Devices and Components	0.3 (1.5%)	0.4 (0.8%)	0.3 (1.5%)	0.4 (0.8%)	+0.0	+0.0
Electronic and Other Products	0.2 (2.4%)	1.0 (4.8%)	0.2 (2.4%)	1.0 (4.8%)	+0.0	+0.0
Eliminations or general corporate	▲ 2.8	▲ 5.6	▲ 2.8	▲ 5.6	+0.0	+0.0
Consolidated Total	10.6 (6.9%)	23.0 (7.6%)	10.6 (6.9%)	23.0 (7.6%)	+0.0	+0.0



That concludes my presentation.
Thank you for your attention.