

CITIZEN

Earning Presentation
for Nine months ended December 31, 2023

CITIZEN WATCH CO., LTD.

February 13, 2024

Financial Results for 3Q of FY 2023

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 2023.

Financial Results for 1-3Q (Apr-Dec) of FY 2023

CITIZEN

(Unit : billion yen)	FY2022	FY2023	YoY Change	
	1-3Q (Apr-Dec) Result	1-3Q (Apr-Dec) Result	Amount	%
Net sales	230.1	238.8	+8.7	+3.8%
Operating profit	21.0	23.4	+2.3	+11.3%
Operating margin	9.1%	9.8%	-	-
Ordinary Profit	24.4	27.4	+3.0	+12.4%
Profit attributable to owners of parent	19.6	20.6	+0.9	+5.0%
Exchange rate	¥135/USD ¥140/EUR	¥143/USD ¥154/EUR		

- Net sales Sales increased, reflecting continuing growth in the mainstay Watches segment
- Operating profit Profit increased, mainly driven by the Watches segment

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

Net sales increased 3.8% to JPY 238.8 billion, reflecting strong performance mainly in the Watches segment.

Operating profit rose 11.3% to JPY 23.4 billion, mainly driven by the Watches segment. The operating profit margin stood at 9.8%.

Ordinary profit and profit attributable to owners of parent climbed 12.4% and 5.0% respectively, to JPY 27.4 billion and JPY 20.6 billion.

Result by Business Segments for 1-3Q (Apr-Dec) of FY 2023

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Net sales (Unit : billion yen)	FY2022	FY2023	YoY Change	
	1-3Q(Apr-Dec) Result	1-3Q(Apr-Dec) Result	Amount	%
Watches	117.3	127.2	+ 9.8	+ 8.4%
Machine Tools	63.3	62.1	(1.1)	(1.9%)
Devices and Components	34.1	32.5	(1.6)	(4.9%)
Electronic and Other Products	15.2	16.9	+ 1.7	+ 11.3%
Consolidated Total	230.1	238.8	+ 8.7	+ 3.8%
Operating Profit (Unit: billion yen, %:operating margin)				
Watches	15.7 13.4%	18.4 14.5%	+ 2.6	+ 16.9%
Machine Tools	8.4 13.3%	7.5 12.1%	(0.9)	(10.9%)
Devices and Components	(0.1) (0.5%)	0.4 1.3%	+ 0.5	-
Electronic and Other Products	0.9 6.4%	1.3 7.7%	+ 0.3	+ 33.7%
Eliminations or general corporate	(3.9)	(4.2)	(0.2)	-
Consolidated Total	21.0 9.1%	23.4 9.8%	+ 2.3	+ 11.3%

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This list shows financial results by business segment.

The Watches segment continued to perform strongly, achieving an 8.4% year-on-year increase in net sales and a 16.9% year-on-year increase in operating profit, or the operating margin of 14.5%.

The Machine Tools segment posted a 1.9% decline in net sales amid the ongoing adjustment phase and a 10.9% decrease in operating profit, mainly reflecting the decrease in net sales and the impact of the higher cost of purchased materials.

Devices and Components recorded a decline in net sales, but moved into the black in terms of operating profit.

Electronics and Other Products segment posted an increase in both net sales and operating profit.

Financial Results for 3Q (Oct-Dec) of FY 2023

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(Unit : billion yen)	FY2022	FY2023	YoY Change	
	3Q(Oct-Dec) Result	3Q(Oct-Dec) Result	Amount	%
Net sales	82.4	85.9	+3.4	+4.2%
Operating profit	8.6	9.8	+1.1	+13.8%
Operating margin	10.5%	11.5%	-	-
Ordinary Profit	7.6	10.0	+2.4	+31.7%
Profit attributable to owners of parent	7.0	7.3	+0.2	+3.6%
Exchange rate	¥144/USD ¥144/EUR	¥149/USD ¥160/EUR		

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Next, I will describe the consolidated financial results for the third quarter.

Net sales increased 4.2% to JPY 85.9 billion. Operating profit climbed 13.8% to JPY 9.8 billion, with an operating margin of 11.5%.

Ordinary profit and profit attributable to owners of parent rose 31.7% and 3.6%, respectively, to JPY 10.0 billion and JPY 7.3 billion.

Result by Business Segments for 3Q (Oct-Dec) of FY 2023

CITIZEN

Net sales (Unit : billion yen)	FY2022	FY2023	YoY Change	
	3Q(Oct-Dec) Result	3Q(Oct-Dec) Result	Amount	%
Watches	43.9	48.7	+ 4.7	+ 10.8%
Machine Tools	22.4	20.7	(1.7)	(7.7%)
Devices and Components	11.2	10.3	(0.9)	(8.5%)
Electronic and Other Products	4.7	6.1	+ 1.4	+ 29.6%
Consolidated Total	82.4	85.9	+ 3.4	+ 4.2%
Operating Profit (Unit: billion yen, %:operating margin)				
Watches	6.9 15.9%	8.2 16.9%	+ 1.2	+ 18.2%
Machine Tools	2.9 13.0%	2.2 11.1%	(0.6)	(21.1%)
Devices and Components	(0.1) (1.7%)	0.0 0.3%	+ 0.2	-
Electronic and Other Products	0.2 4.9%	0.6 10.2%	+ 0.3	+ 171.7%
Eliminations or general corporate	(1.2)	(1.3)	+ 0.0	-
Consolidated Total	8.6 10.5%	9.8 11.5%	+ 1.1	+ 13.8%

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We are now looking at financial results by business segment for the third quarter. While Watches and Electronic and Other Products segments achieved growth in net sales, Machine Tools and Devices and Components segments saw a decline in net sales. The operating margin of the Watches segment improved by 1 percentage point, to 16.9%.

I will provide an overview of each business in the next slide.

3Q (Oct-Dec)

- **Finished watch sales** A trend toward recovery was seen in the domestic market. Additionally, sales increased as the European market remained brisk.
- **Movement sales** Sales increased due to solid sales of mechanical movements despite sluggish growth of analog quartz movements

Net sales (billion yen)



Operating profit (billion yen)



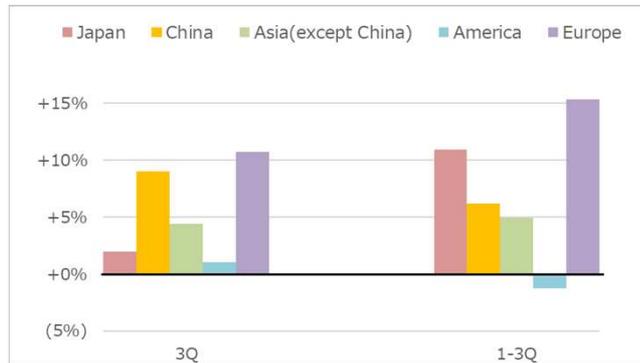
I will first explain the Watches segment.

Finished watch sales increased mainly because the European market remained brisk, and also because a modest recovery trend was maintained in the domestic market.

In sales of movements, analog quartz movements did not grow as expected. Even so, net sales increased because mechanical movements remained firm.

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



- Japan Personal spending recovered only moderately, but sales of ATTESA remained strong.
- China Consumption remains weak, but sales increased thanks to a rise in reaction to the city lockdowns in the previous year.
- Asia (except China) While sales in Hong Kong were sluggish, inbound demand was firm in Singapore, among other countries.
- America Sales slightly increased due to the cautious attitude of jewelry chains, department stores, and other retailers despite strong sales of e-commerce.
- Europe The TSUYOSA Collection and other mechanical watches led sales, which remained strong.

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

The chart on the left shows year-on-year changes for the third quarter alone. The red bar shows Japan, where the recovery in consumption was moderate but net sales increased because core brands such as ATTESA led the overall business.

Light yellow is China, where net sales increased due to the absence of the lockdown in the previous year, more than offsetting the continued weak consumer confidence.

In Asia, shown in light green, net sales increased due to strong inbound demand in Singapore, among other countries, more than offsetting the weak performance in Hong Kong.

In North America, the region indicated by the light blue bar, jewelry chains, department stores and others showed a cautious attitude toward purchases. Still, net sales increased due to strong e-commerce sales.

Europe, indicated by the light purple bar, recorded an increase in net sales, led overall by the strong performance of the TSUYOSA Collection and other mechanical watches.

The CITIZEN with a date display, mechanical model Caliber 0210

- The model limits the average daily time gap to between -3 seconds and +5 seconds using the free-sprung system that excels in long sustainability of time accuracy.
- It features a beautiful layout of wheel train parts, component precision, and detailed finish.

The
CITIZEN




Release date: December 2023
Recommended retail price: 880,000 yen (tax included)
Specific store only model

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I would like to introduce a new product with The CITIZEN, the top-end model of the CITIZEN brand watches, as our initiative to strengthen our premium brands.

We have released this mechanical model with a date display, which is equipped with Caliber 0210, a new high-precision mechanical movement.

The model limits the average daily time gap to between -3 seconds and +5 seconds using the free-sprung system that excels in long sustainability of time accuracy. Based on the design concept of achieving both high precision and aesthetic merit, this model, which is available only at specific stores, features a beautiful layout of wheel train parts, component precision, and detailed finish.

PROMASTER The brand's 35th anniversary: Release of the first full-scale mechanical GMT watch of the brand

- It is equipped with a function to check time in two different time zones.
- The design is such that the bezel has a curved shape like the body of an airplane to make the GMT function stand out.



Release date: January 2024
Recommended retail price: 132,000-137,500 yen (tax included)

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PROMASTER, which we have been strengthening as a global brand, will celebrate the 35th anniversary of its establishment this year.

In commemoration of this milestone, we have released the first PROMASTER mechanical watch equipped with a GMT function.

Equipped with full-fledged GMT for flyers, this watch enables the wearer to check the time in two different time zones.

“CITIZEN FLAGSHIP STORE NEW YORK” opened on Fifth Avenue, New York.

- The flagship store of the Citizen Watch Group in North America opened on December 6, 2023.
- The store sells one of the world’s largest collections of the core brands of the Group, including BULOVA, ACCUTRON, Frederique Constant, and Alpina with a focus on CITIZEN.



In December last year, we opened a flagship store on Fifth Avenue, New York.

The flagship store sells one of the world’s largest collections of the core brands of the Group, including BULOVA, ACCUTRON, Frederique Constant, and Alpina with a focus on the CITIZEN brand.

We will promote the appeal of the brand by taking advantage of the location, or Fifth Avenue in New York, which attracts people from all over the world.

Passing down of skills and improving technology

- Received a Gold, Silver, and Bronze prizes and Fighting Spirit award in the Watch Repair category of the 61st Skill Olympics National Tournament.
- Technologies are passed down and engineers' skills are improved through activities for the Skill Olympics as Manufacture d'horlogerie capable of manufacturing everything from the parts of a watch to assembly and adjustment of a finished watch, all in house.



in the Watch Repair category

CITIZEN WATCH MANUFACTURING CO., LTD.

Gold Prize: Kenta Kawakami
Bronze Prize: Miku Yamazaki

Silver Prize: Mashiro Kobayashi
Fighting Spirit Award: Mana Ito

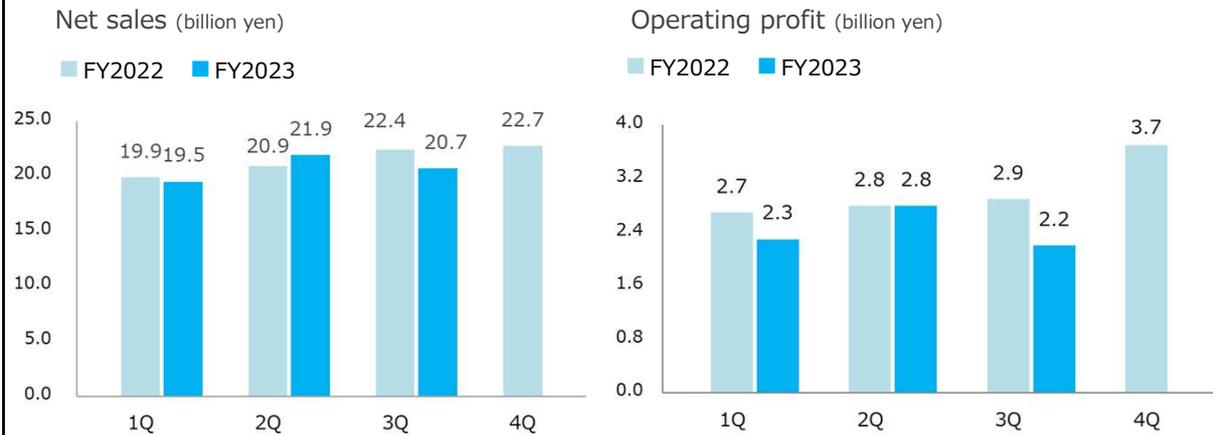
In the Watch Repair category of the 61st Skill Olympics National Tournament that was held in November last year, our engineer received a Gold prize. Our engineers also won a Silver and Bronze prizes and Fighting Spirit award.

In the Skill Olympics National Tournament, technicians aged 23 or younger compete to be No.1 in Japan in skill level in each job category.

Through activities for the Skill Olympics, we endeavor to pass down engineers' skills and improve our technologies as Manufacture d'horlogerie capable of manufacturing everything from the parts of a watch to assembly of a finished watch, all in house.

3Q (Oct-Dec)

- Domestic sales Sales decreased due to cautious stance on capital expenditures.
- Overseas sales Sales decreased due to sluggish Chinese and Asian markets despite strength maintained by European and American markets.



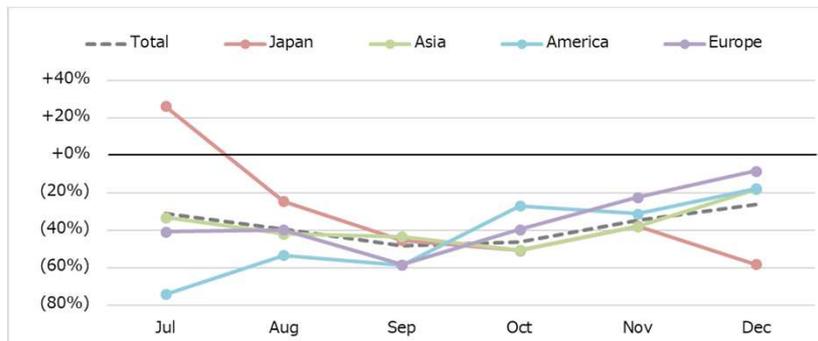
Now, I will provide an overview of the business results in the Machine Tools business for the third quarter.

Net sales were JPY 20.7 billion, down 7.7% year on year. Operating profit decreased by 21.1% from the year-ago level, to JPY 2.2 billion.

Domestic sales decreased, despite steady sales for the construction machinery and medical equipment industries, which was more than offset by cautious stance on capital expenditures.

Overseas sales decreased overall, despite the solid showing in Europe and the Americas which was more than offset by the slump in China and Asia.

■ 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	(26%)	Orders bottomed out in 2Q and remained stable toward recovery
● Japan	(58%)	Market remained weak overall, reflecting the spread of a cautious stance on capital expenditures particularly for automobiles.
● Asia	(18%)	Market remained sluggish due to strong uncertainty about the future.
● America	(18%)	Medical products supported sales amid an ongoing slowdown in response to rising concerns about a recession.
● Europe	(8%)	Sales of medical products etc. remained strong despite limited appetite for capital expenditures.

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.

The table under the graph shows the rates of change year-on-year in the third quarter. Orders received in total decreased 26% year on year, but were up 24% compared to the previous quarter.

Orders received bottomed out in the second quarter and have been recovering modestly.

By region, in Japan, orders received decreased 58% year on year, reflecting the continuation of generally weak market conditions due to the increase in the number of companies taking a cautious stance on capital expenditures.

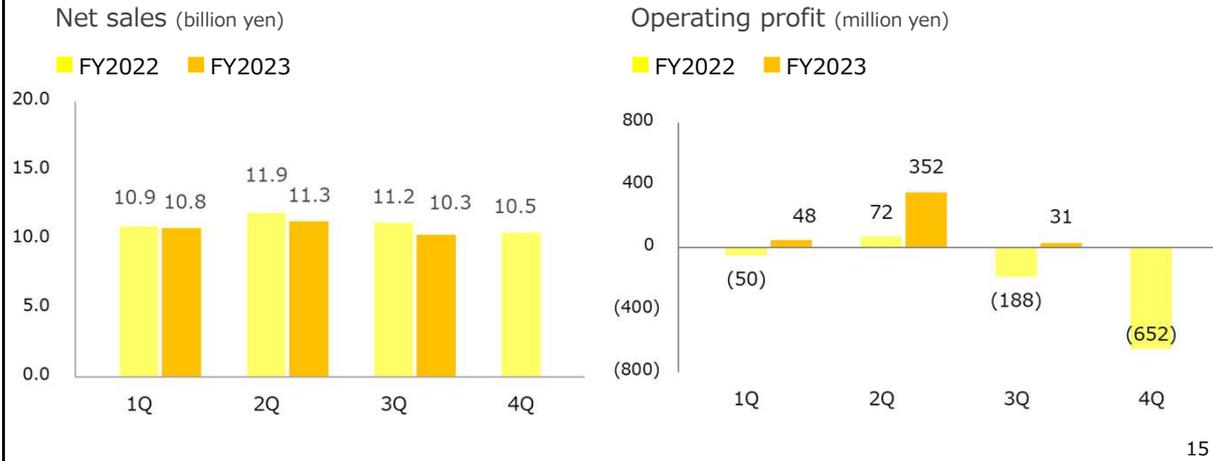
Orders received fell 18% year on year in Asia because the market remained sluggish.

In the Americas, orders decreased 18% year on year, despite being supported by demand for medical products., due in part to the impact of high interest rates.

Orders received in Europe decreased 8% year on year, although sales of medical products etc. remained strong, reflecting a cautious stance on capital expenditures given inflation and concerns over an economic slowdown.

3Q (Oct-Dec)

- Precision components
 Sales of auto components and small motors increased.
 Sales of precision components decreased overall, affected by slow sales of other components including crystal devices.
- Opto-devices
 Sales of opto-devices decreased, mainly due to a drop in sales of illumination LEDs.



I will explain the Devices and Components segment.

Net sales were JPY 10.3 billion, down 8.5% year on year, but we remained the black in terms of operating profit.

Sales of auto components were recovering. Sales of small motors increased with the recovery in market conditions across a broad range of areas, including healthcare.

Meanwhile, sales of precision components decreased overall, affected by slow sales of other components including crystal devices. In opto-devices, net sales decreased year on year because sales of illumination LEDs, etc. did not recover.

FY 2023 Forecasts



FY 2023 Forecasts

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- The previous forecast (November 13, 2023) remains unchanged in terms of the consolidated performance and dividends forecasts.

FY 2023 Forecasts

(Unit : billion yen)	FY2023 (11/13 E)		FY2023 (2/13 E)		Change		%	
	2H(Oct-Mar)	Full Year	2H(Oct-Mar)	Full Year	2H(Oct-Mar)	Full Year	2H(Oct-Mar)	Full Year
Net sales	157.1	310.0	157.1	310.0	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Operating profit	11.4	25.0	11.4	25.0	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Operating margin	7.3%	8.1%	7.3%	8.1%	-	-	-	-
Ordinary Profit	11.0	28.5	11.0	28.5	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Profit attributable to owners of parent	7.6	21.0	7.6	21.0	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Exchange rate	¥145/USD ¥155/EUR	¥142/USD ¥153/EUR	¥145/USD ¥155/EUR	¥142/USD ¥153/EUR				

Exchange rate impact (1 weaker yen, Annual)

(Unit : billion yen)	USD	EUR
Net sales	+0.9	+0.4
Operating profit	+0.25	+0.2

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With respect to the consolidated performance forecast, there were no changes from the figures presented on November 13.

FY2023 Forecast by Business Segment

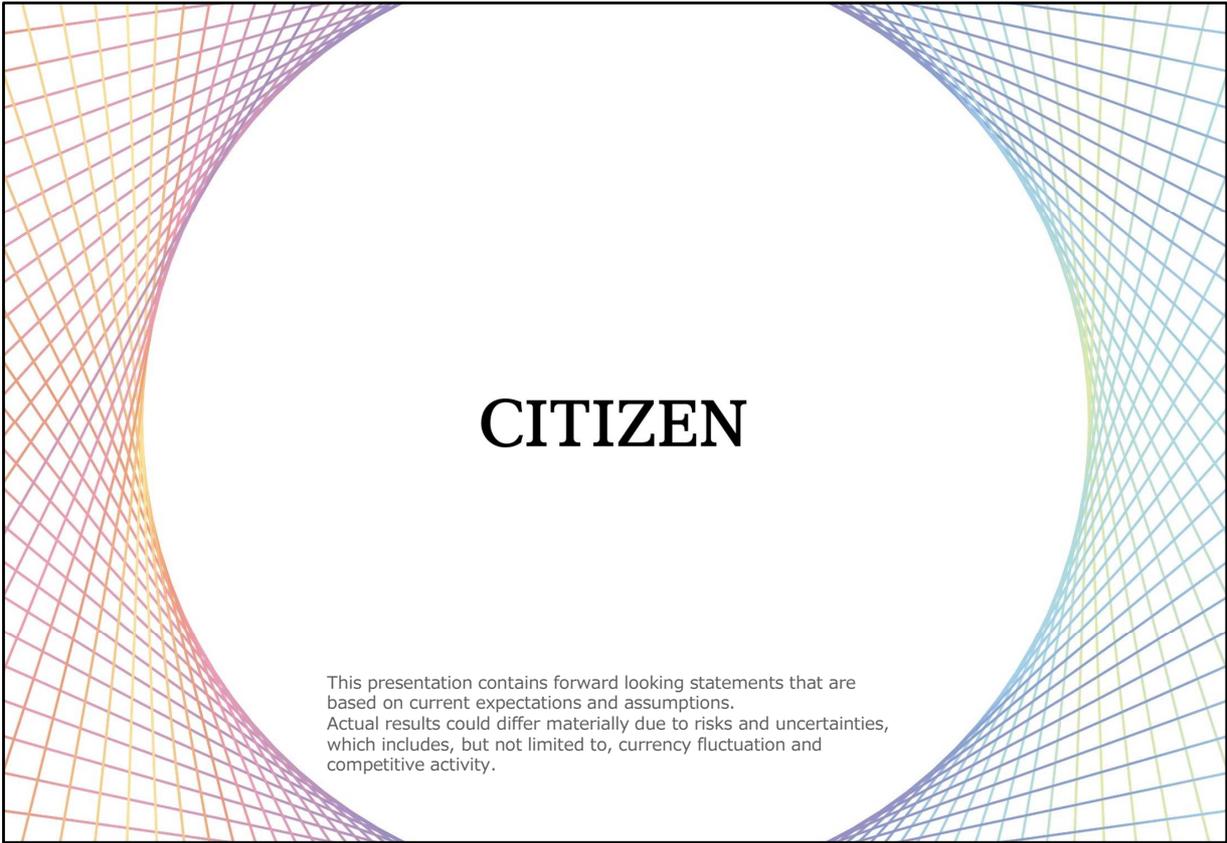
CITIZEN

- The previous forecast (November 13, 2023) remains unchanged.

Net sales (Unit : billion yen)	FY2023 Forecast (11/13 E)		FY2023 Forecast (2/13 E)		Change		%	
	2H(Oct-Mar)	Full Year	2H(Oct-Mar)	Full Year	2H(Oct-Mar)	Full Year	2H(Oct-Mar)	Full Year
Watches	87.4	166.0	87.4	166.0	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Machine Tools	37.5	79.0	37.5	79.0	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Devices and Components	19.8	42.0	19.8	42.0	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Electronic and Other Products	12.2	23.0	12.2	23.0	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Consolidated Total	157.1	310.0	157.1	310.0	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Operating Profit (Unit: billion yen, %:operating margin)								
Watches	9.4 10.9%	19.7 11.9%	9.4 10.9%	19.7 11.9%	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Machine Tools	3.9 10.6%	9.2 11.6%	3.9 10.6%	9.2 11.6%	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Devices and Components	(0.2) (1.0%)	0.2 0.5%	(0.2) (1.0%)	0.2 0.5%	+ 0.0	+ 0.0	-	+ 0.0%
Electronic and Other Products	1.2 10.0%	1.9 8.3%	1.2 10.0%	1.9 8.3%	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%
Eliminations or general corporate	(3.1)	(6.0)	(3.1)	(6.0)	+ 0.0	+ 0.0	-	-
Consolidated Total	11.4 7.3%	25.0 8.1%	11.4 7.3%	25.0 8.1%	+ 0.0	+ 0.0	+ 0.0%	+ 0.0%

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Forecast by segment also remains unchanged from the previous forecast.



That concludes my presentation.
Thank you for your attention.