

CITIZEN

## Medium-term Management Plan 2024

**CITIZEN WATCH CO., LTD.**

March 30, 2022

Medium-term Management Plan 2021 Review .....	3
CITIZEN Group Vision 2030 .....	6
Medium-term Management Plan 2024 .....	13
Watches .....	17
Machine Tools .....	27
Devices and Components / Electronic and Other Products.....	33
CITIZEN Group Value Creation Model.....	35

# Medium-term Management Plan 2021 Review



Medium-Term  
Management Vision 2021

Sense the Time and Create an Impression for the Future

**Innovation for the next**

Sensitive to changes over time, CITIZEN will take on the challenge of creating new, unique value, not merely continuing manufacturing as in the past, and moving toward a sustainable future.

Target index

Net Sales	370.0 billion yen
Operating Profit	30.0 billion yen
ROE	8.0%

Key Measures

I	Promotion of growth in Watch and Machine Tools
II	Advancement of digital transformation - Creation of new value in the value chain - Streamlining of the Group's cross-functional indirect operations
III	Promotion of Sustainable Development Goals (SDGs)
IV	Enhancement of Compliance in Quality

## Key Measures

### Achieving growth again in the Watches Business

- Expansion of product range
- Achieve results of the multi-brand strategy
- Movement by manufacturing innovation and improving cost competitiveness of finished products

**Overview: Failed to achieve the targets but improved profitability while the market environment changed dramatically.**

**Challenge: Monetizing value and achieving sustainable growth**

- Launched mechanical watches, The CITIZEN Cal.0200 and Series 8.
- Started the rebranding of The CITIZEN at the high-end range.
- BULOVA produced results in North America.
- Reduced costs through the rationalization and automation of mechanical movements.
- Undertaking initiatives related to analog quartz movements.

### Promotion of growth in the Machine Tools Business

- Established a business foundation for achieving sales of 80 billion yen through production innovation
- Evolved into a new manufacturer that can provide solutions using the IoT to customers
- Expanded existing businesses and sought new businesses

**Overall: Results were slightly less than targets due to difficulty procuring components but were roughly in line with the plan.**

**Challenge: Enhancement of production capacity and sales/service systems**

- Increased capital investment to bolster production capacity at the China plant, Thailand plant, and head office plant.
- Launched alkartlive2, an operational monitoring system. Completed a mass production model of alkartstation, an IoT connection tool.
- Displayed FA Friendly, a new solution responding to needs for labor saving and automation, at a private show.

### Advancement of digital transformation

- Optimized the value chain and created new value using digital technology

- Group companies made skills and expertise visible.
- Watches Business: Creation of digital user contact points
- Watches Business: Opened D2C e-commerce sites in Japan and the United States.
- Watches Business: Started online services: FTS (Fine Tuning Service) and AI Watch Recommend.

### Promotion of sustainable management (SDGs)

- Solving social issues through products: starting with the Watches Business and Machine Tools Business

- Formulation and implementation of a 2030 roadmap on materiality
- Placement of a Sustainability Committee and establishment of Group policies
- Watches Business: Used certified materials and recycled materials for new products under all CITIZEN brand names
- Machine Tools Business: Commercialized friction bonding technology

# CITIZEN Group Vision 2030

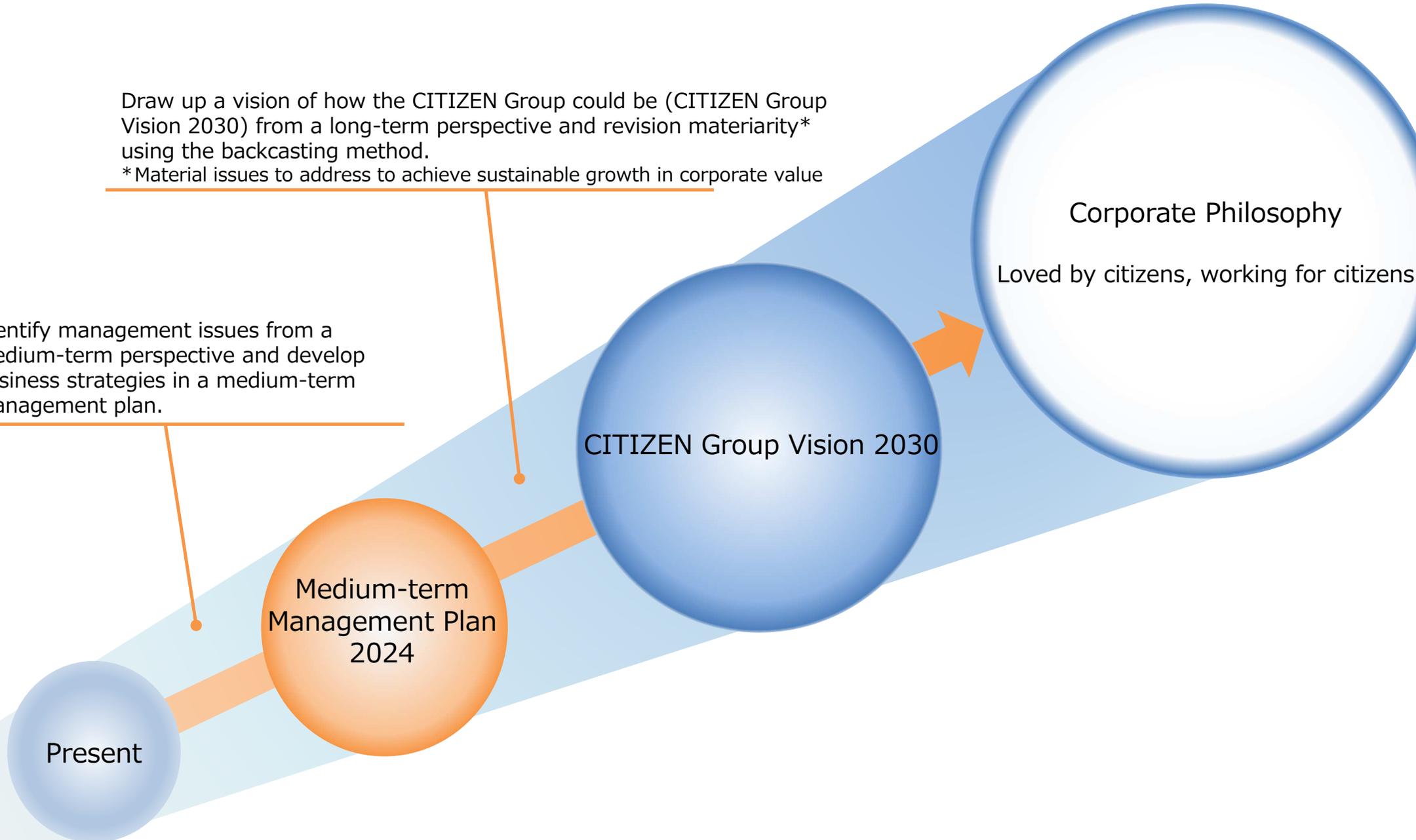


# Social Issues to Address by 2030

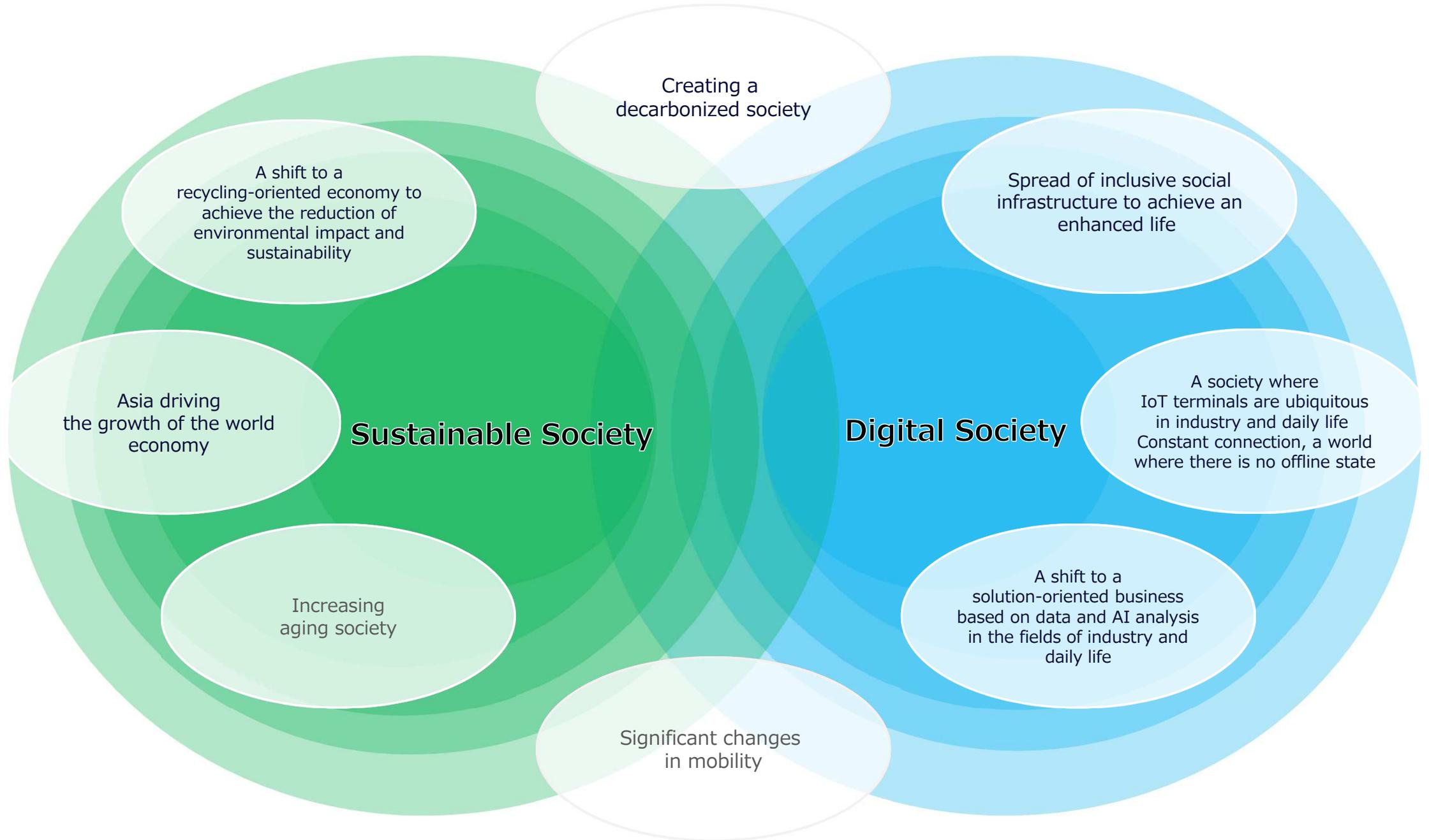
Draw up a vision of how the CITIZEN Group could be (CITIZEN Group Vision 2030) from a long-term perspective and revision materiality\* using the backcasting method.

\*Material issues to address to achieve sustainable growth in corporate value

Identify management issues from a medium-term perspective and develop business strategies in a medium-term management plan.



# Social Issues to Address by 2030



# CITIZEN Group Vision 2030

## **Crafting a new tomorrow**

What will the CITIZEN of 2030 look like?

Since our founding in 1918 as one of Japan's first watchmakers, we have used our technological expertise to expand into other fields: Machine tools. Devices. Electronics. Countless products and services, all built on two key promises: Reliability and a Sense of Security.

Now the time has come for a third promise: Emotion  
To enrich the soul with products that make life better  
and build a brighter, richer world for the generations to come:  
That is our new mission.

In 2030, CITIZEN will be known around the world  
for reliability, security and emotion.  
That is how we will contribute to bringing about a better world.

ESG	Materiality	Category	Main initiatives	Related business			
				Watches	Machine Tools	Devices	Electronics and Other Products
E	<b>Responding to climate change and contributing to a recycling-oriented society</b>   	Responses to climate change	<ul style="list-style-type: none"> <li>Supply parts to eco-cars (EV, HV); sell LEDs for lighting.</li> <li>Sell photovoltaic watches and mechanical watches that can be used for a long time.</li> </ul>				○
		Contributions to a recycling-oriented society	<ul style="list-style-type: none"> <li>Expand products in which LFV technology and friction bonding technology are embedded.</li> <li>Reduce CO2 emissions and expand the use of renewable energy.</li> <li>Reduce water consumption, promote recycling, manage hazardous chemical substances, and reduce packaging materials.</li> </ul>	○	○	○	○
		Contribution to diverse lifestyles	<ul style="list-style-type: none"> <li>Customized watches and services</li> <li>Provide an IoT platform for personalized experience.</li> <li>Provide LCD devices for digital cameras, head-mounted displays, etc.</li> </ul>	○			○
		Contribution to medical treatments and health care	<ul style="list-style-type: none"> <li>Sample holding plates for bacterial analysis.</li> <li>Provide thermometers and blood pressure monitors that everyone can use.</li> <li>Provide Health Appointment, a digital healthcare service.</li> </ul>				○
S	<b>Providing solutions in industry</b>     	Provision of solutions for labor-saving and automation	<ul style="list-style-type: none"> <li>Use and provide machines, digital technology, and techniques for effective use of them.</li> <li>Provide solution-oriented production facilities and self-service terminal solutions.</li> </ul>		○		○
		Contribution to next-generation communication technologies	<ul style="list-style-type: none"> <li>Provide time reference information to organization that need accurate time information.</li> <li>Develop and sell sensing devices (including remote-controlled robots).</li> </ul>	○			○
		Contribution to mobility	<ul style="list-style-type: none"> <li>Develop and sell lasers for signal lamps of electric vehicles.</li> <li>Supply parts for advanced brake systems, communications systems, and sensors.</li> </ul>				○
		Improve job satisfaction	<ul style="list-style-type: none"> <li>Take steps to improve employee engagement; provide education opportunities.</li> </ul>	○	○	○	○
		Cultivate human resources	<ul style="list-style-type: none"> <li>In developing management talent, the Group focuses on people who will promote transformation and strengthen cooperation among Group companies.</li> </ul>	○	○	○	○
		Diversity and inclusion	<ul style="list-style-type: none"> <li>Systematically foster female candidates for managerial positions and promote women to management. Encourage male employees to take childcare leave.</li> </ul>	○	○	○	○
G	<b>Fulfilling social responsibility</b>   	Enhancing risk management	<ul style="list-style-type: none"> <li>Update significant risks at the Group and implement risk management.</li> </ul>	○	○	○	○
		Ensuring quality-related compliance	<ul style="list-style-type: none"> <li>Get employees to be aware of the Quality Code of Conduct.</li> </ul>	○	○	○	○
		Respect for human rights and labor practices	<ul style="list-style-type: none"> <li>Establish human rights due diligence procedures.</li> </ul>	○	○	○	○
		Promote the sustainable procurement	<ul style="list-style-type: none"> <li>CSR procurement, green procurement, conflict minerals control, etc.</li> </ul>	○	○	○	○

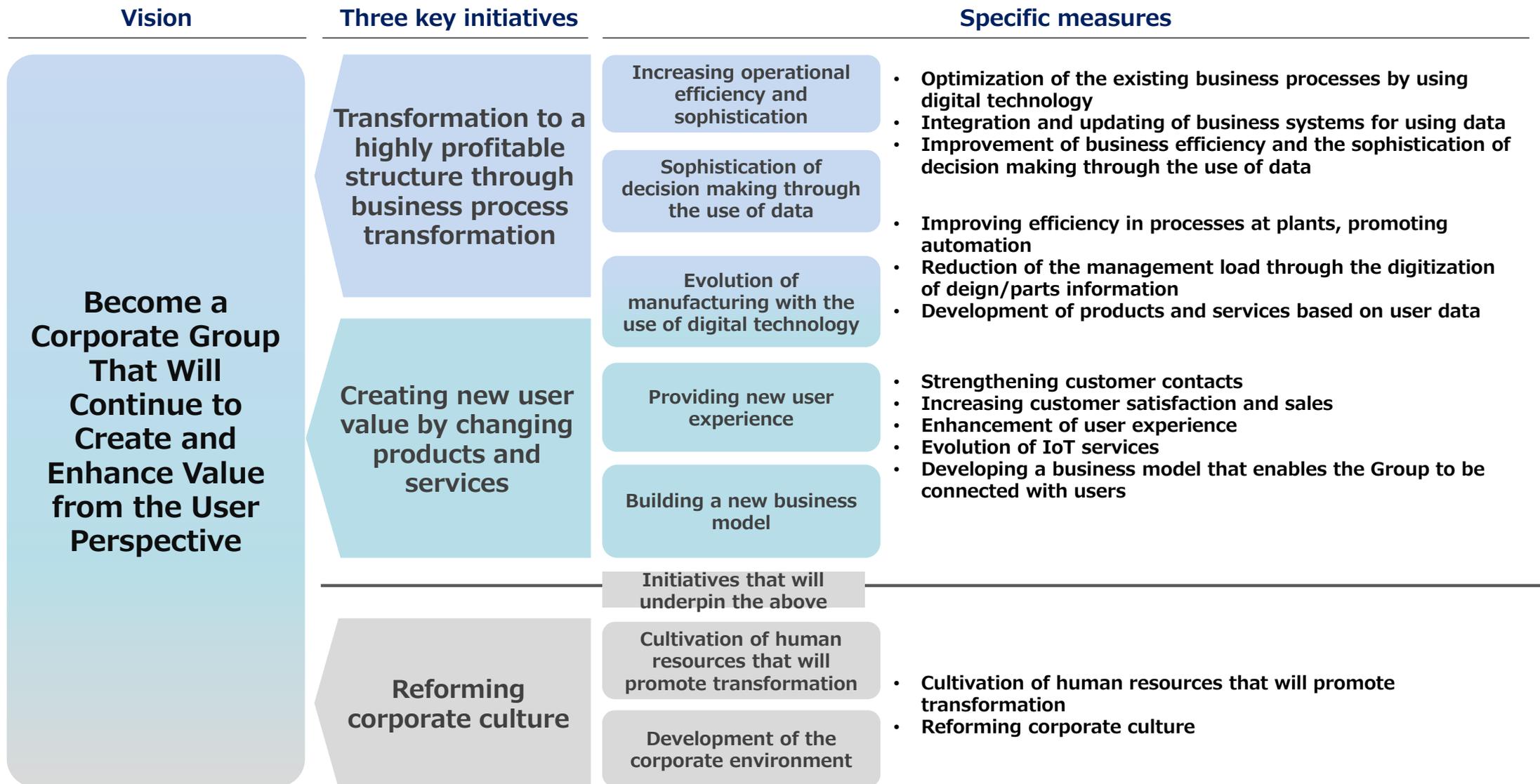


Step up efforts to assess and specify risks and opportunities that have a significant impact on the Group's businesses and financial matters through the scenario-analysis method according to the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD).

The CITIZEN Group will aim to acquire **SBT certification** by FY2024.

**\*SBT (Science Based Targets): Corporate targets for greenhouse gas emission reductions in line with levels set forth according to the Paris Agreement**

CITIZEN Group DX Vision

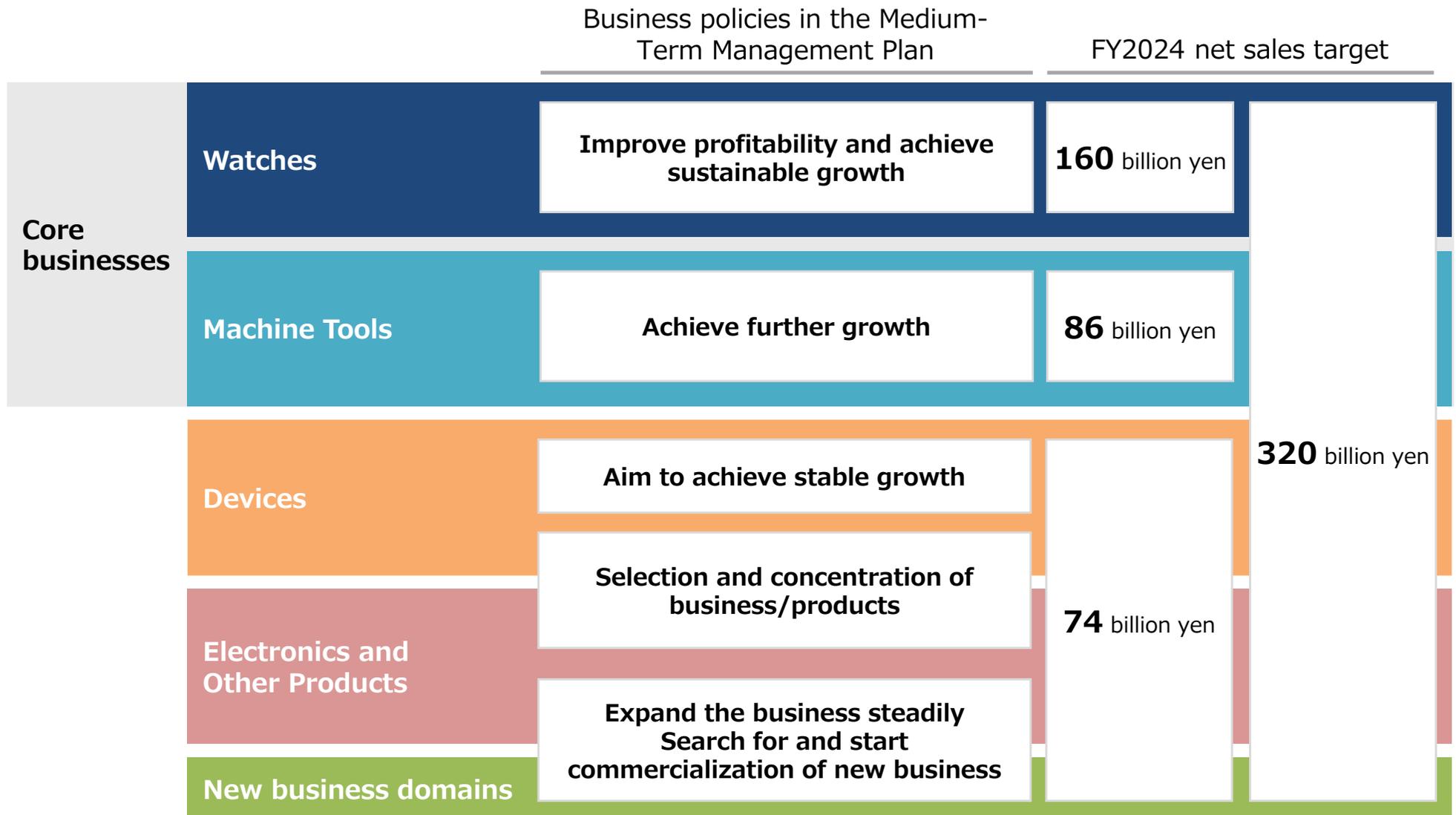


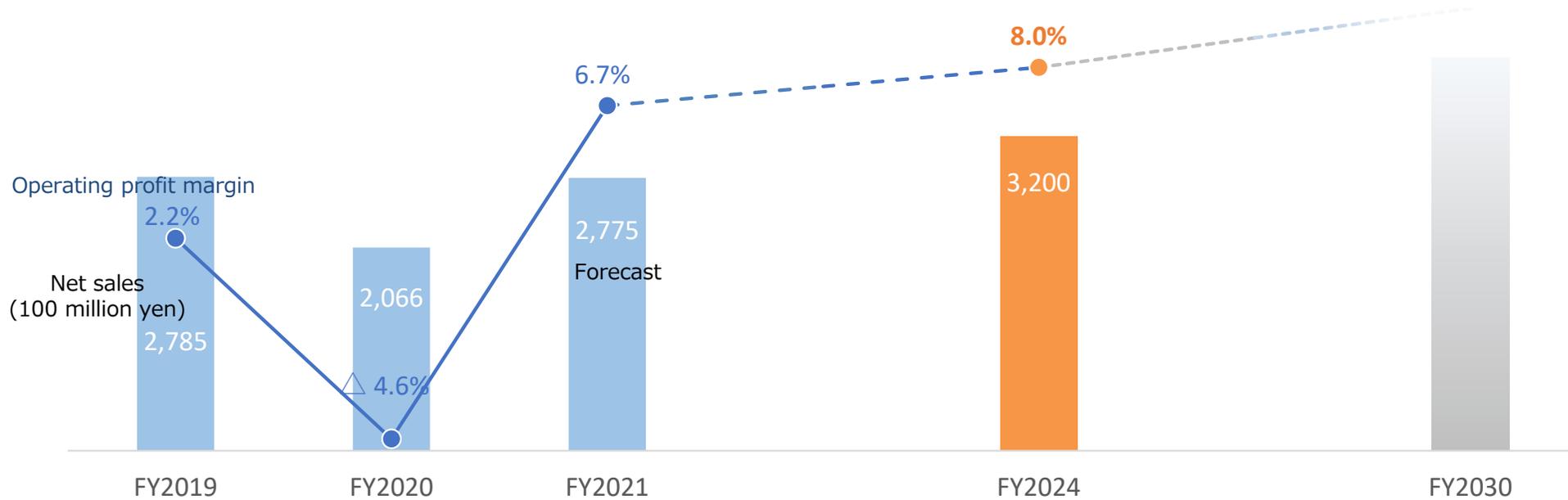
# Medium-term Management Plan 2024



Business Portfolio

- The Watches Business and Machine Tools Business will remain the core businesses that drive the growth of the Group.
- Explore and initiate new business areas with growth potential





The COVID-19 started to impact businesses in 4Q of FY2019.

### Targets in the Medium-term Management Plan

Aim to raise sales to the pre-COVID level while at the same time improving profitability.

Aim to further increase sales on a long-term basis after raising profitability in the Medium-Term Management Plan.

Net sales	320 billion yen
Operating profit margin	8.0%
ROE *	8.0% or higher

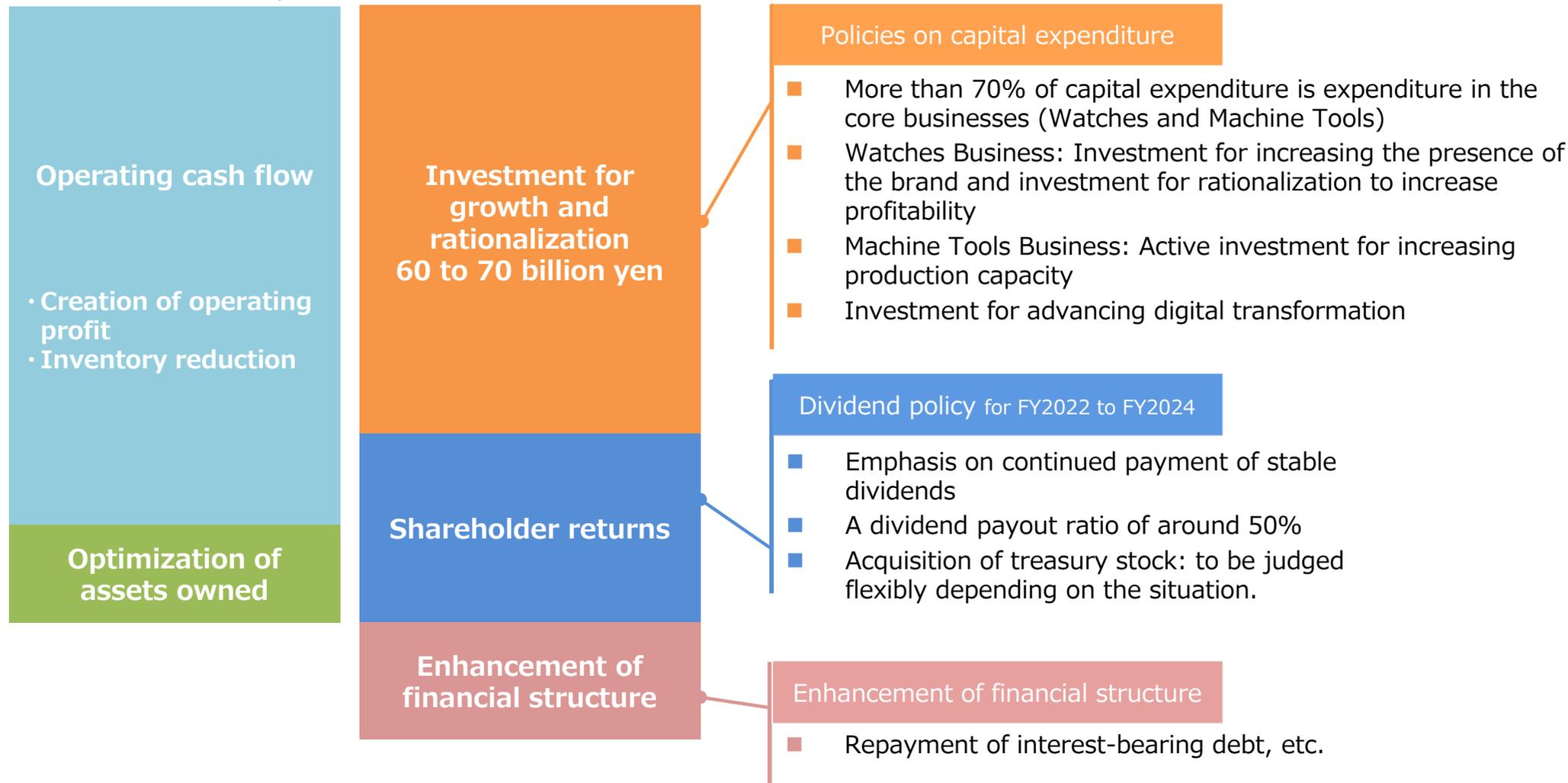
\* ROE = Profit attributable to owners of parent / Equity capital (average of amounts at beginning and end of fiscal year)

Cash Allocation

Cash inflow

Cash outflow

Total amounts in three years from FY2022 to FY2024



Medium-term Management Plan 2024

Watches

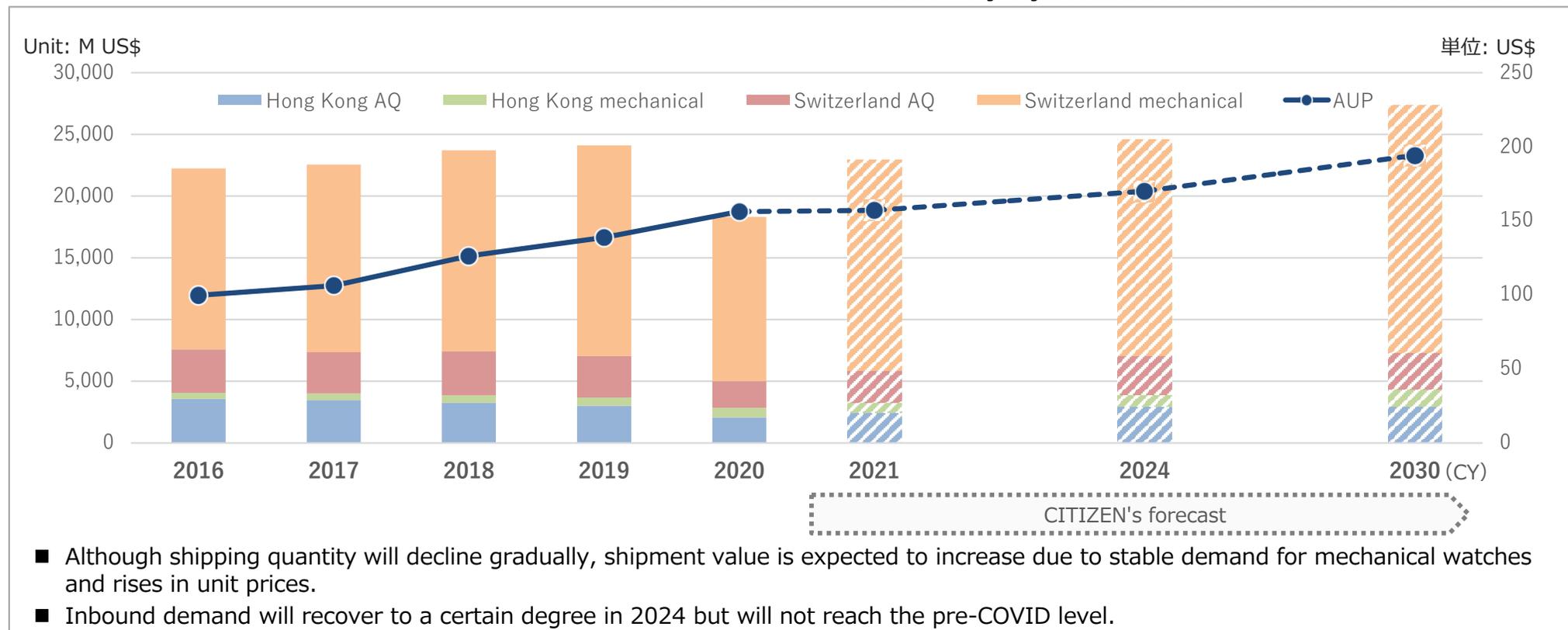


<p>Policy in the Medium-Term Management Plan</p>	<p>Improve profitability and achieve sustainable growth</p>	<p>Key strategies</p> <ul style="list-style-type: none"> <li>■ Global brand strategy</li> <li>■ Premium brands and mechanical watches strategy</li> <li>■ Continued enhancement of user contact points and use of data</li> </ul>			
<p>FY2024 numerical target</p>	<table border="1"> <tr> <td data-bbox="504 430 795 582"> <p>Net sales</p> </td> <td data-bbox="795 430 1120 582"> <p>160.0 billion yen</p> </td> </tr> <tr> <td data-bbox="504 582 795 734"> <p>Operating profit Operating profit margin</p> </td> <td data-bbox="795 582 1120 734"> <p>14.5 billion yen 9.0 %</p> </td> </tr> </table>		<p>Net sales</p>	<p>160.0 billion yen</p>	<p>Operating profit Operating profit margin</p>
<p>Net sales</p>	<p>160.0 billion yen</p>				
<p>Operating profit Operating profit margin</p>	<p>14.5 billion yen 9.0 %</p>				

<p>Material issues to address</p>		<p>Responding to climate change and contributing to a recycling-oriented society</p>
		<p>Contributing to high-quality life</p>
		<p>Increasing job satisfaction and cultivating human resources</p>
		<p>Fulfilling social responsibility</p>

### Forecast trends in watch market

Source: Estimates of CITIZEN based on Hong Kong trade statistics and data of the Federation of the Swiss Watch Industry



### Market Conditions

(1) Continuing expansion of demand for mechanical watches	Demand for mechanical watches is stable. We expect that the market will continue to grow.
(2) Rising awareness of sustainability	Consumers' product selection and decision making will be affected by their awareness of long-term use, eco-friendliness, and fair trade.
(3) Changes in consumers' behavior and values	From the exchange value of the functions of products and technologies to the use value and experiential value of the entire service
(4) Expansion of the smartwatch market	The market for watches whose prices are at the same level as those of smartwatches will be affected by smartwatches, and a more competitive environment is expected.

# Basic Concepts and Key Strategies

Market Conditions	Direction in response to market conditions
<ul style="list-style-type: none"><li>(1) Continuing expansion of demand for mechanical watches</li><li>(2) Rising awareness of sustainability</li><li>(3) Changes in consumers' behavior and values</li><li>(4) Expansion of the smartwatch market</li></ul>	<ul style="list-style-type: none"><li><b>(1) Expanding mechanical watches and reinforcing mechanical movements</b></li><li><b>(2) Emphasizing the features of Eco-Drive, taking advantage of rising environmental awareness</b></li><li><b>(3) Two-way communication that communicates experiential value, including product value</b></li><li><b>(4) A shift to fields where there is no competition with smartwatches</b></li></ul>

## Basic Concepts

### Clarify brand image in the global market

Getting support and preferred products

### Enhancing the Customer Experience

Not only selling but also continuing to be connected

## Key Strategies

Global brand strategy

Premium brands and mechanical watches strategy

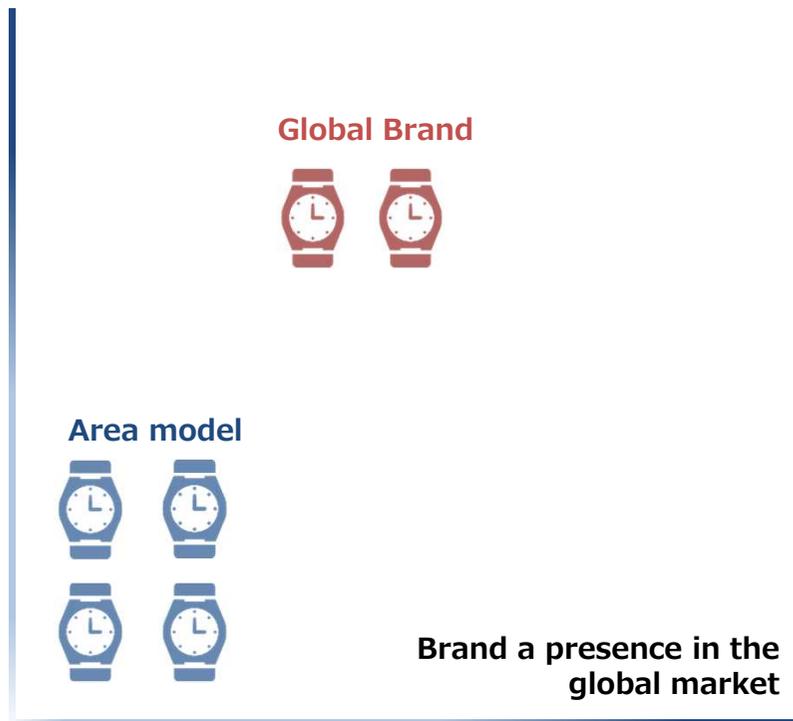
Continued enhancement of customer contacts and use of data

## Current status

- Area models, which are designed in consideration of the characteristics of areas, account for a large percentage of sales.
- The brand presence of area models is not sufficient in the global market.

Average unit price

High



Low

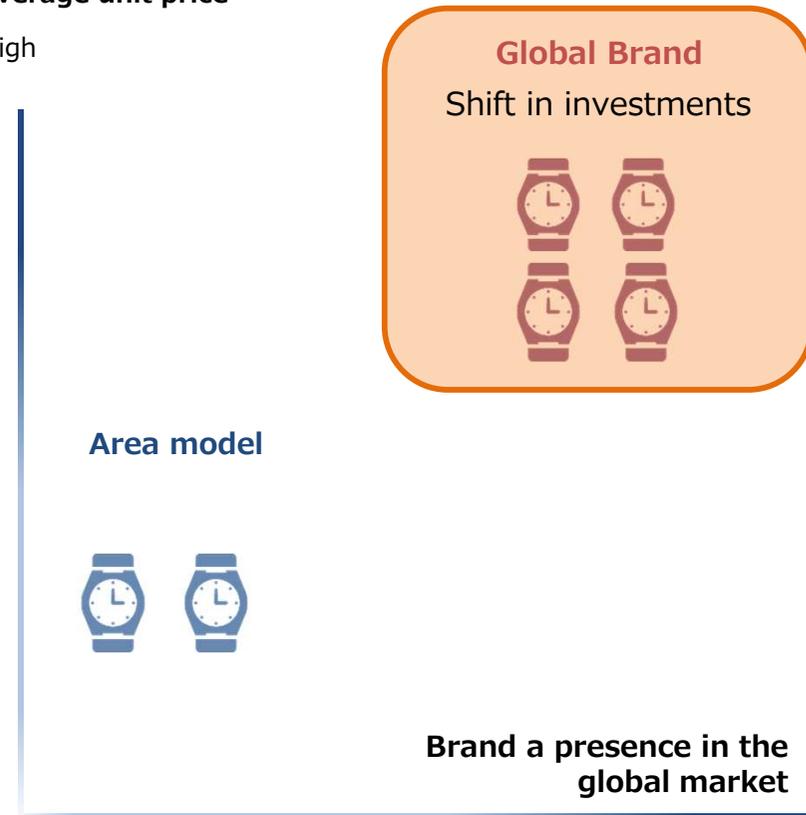
High

## Medium-to-long-term initiatives

- Shift investments to global brands to improve investment efficiency
- Increase brand presence in global markets and build a brand image that is the "face" of CITIZEN.

Average unit price

High



Low

High

 **PROMASTER**

CITIZEN *L*



### Medium-term Management Plan

- Consistent brand concept
- The PROMASTER and CITIZEN L will be positioned as global brands that we will focus on in the medium-term management plan in consideration of growth potential and other factors in the global market, and efforts will be made to accelerate their growth.

### Long-term direction

- In addition to the Japanese and U.S. markets, where we are strong, we will strengthen our efforts in the Asian market, which has growth potential in the long term.



# Premium brands and mechanical watches strategy

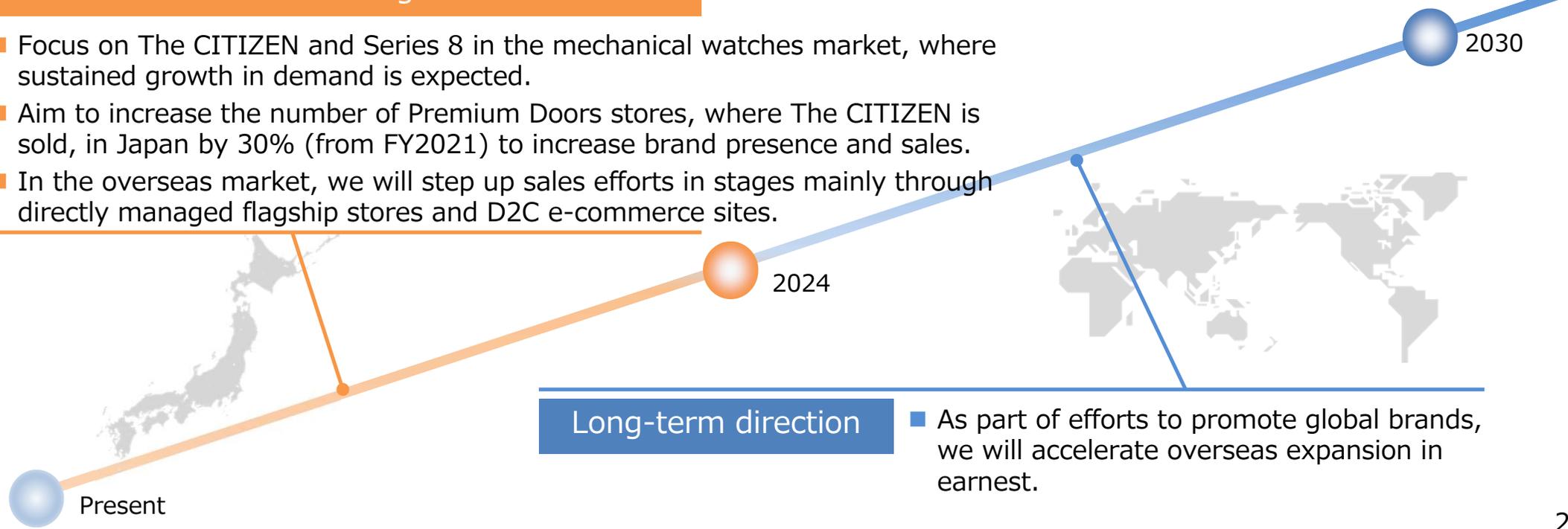


## Series8



### Medium-term Management Plan

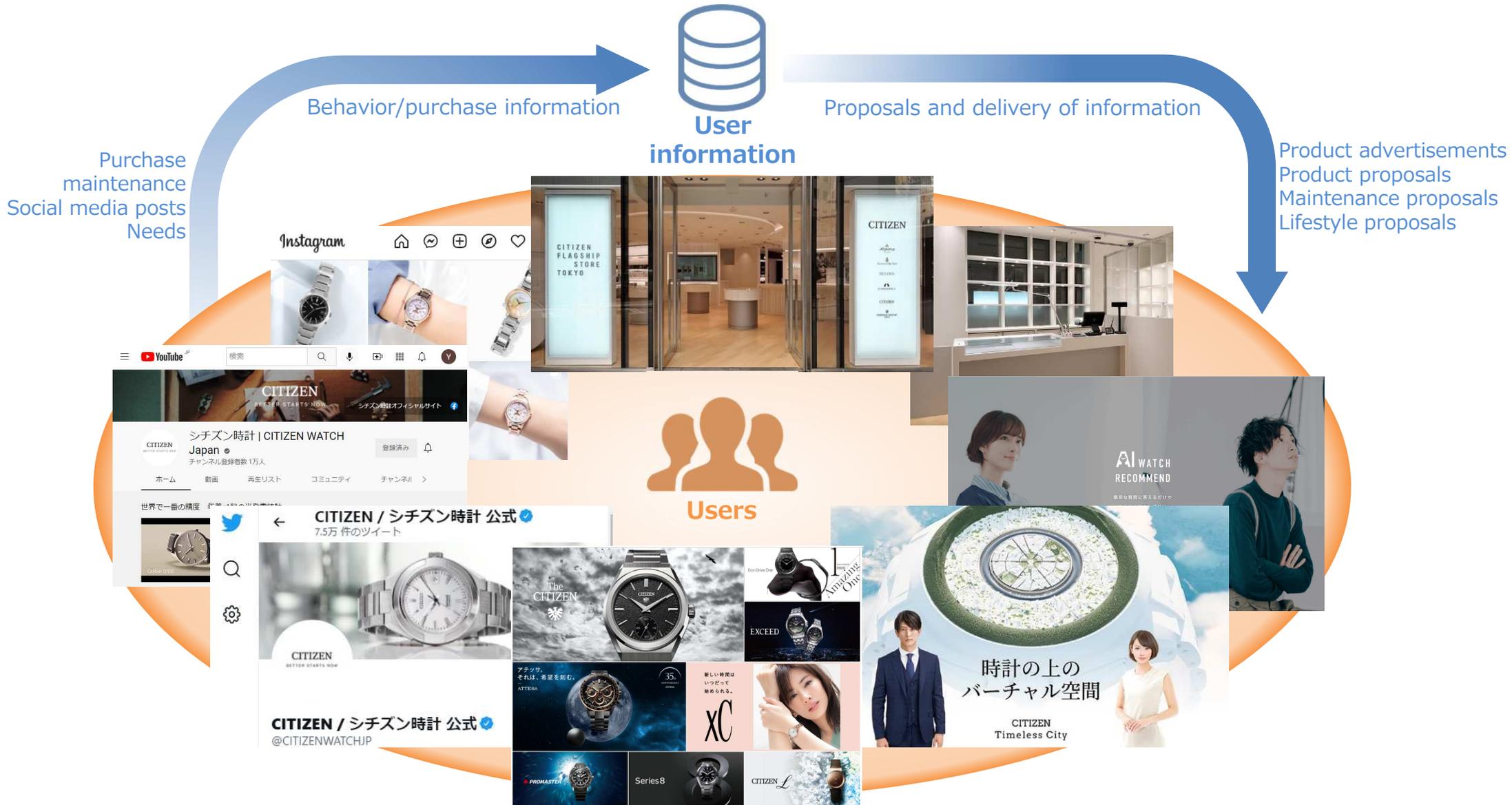
- Focus on The CITIZEN and Series 8 in the mechanical watches market, where sustained growth in demand is expected.
- Aim to increase the number of Premium Doors stores, where The CITIZEN is sold, in Japan by 30% (from FY2021) to increase brand presence and sales.
- In the overseas market, we will step up sales efforts in stages mainly through directly managed flagship stores and D2C e-commerce sites.



### Long-term direction

- As part of efforts to promote global brands, we will accelerate overseas expansion in earnest.

# Continued enhancement of user contact points and use of data



- Strengthen contact channels with users to stay connected with them and enhance the value of products and services through the analysis of data. In doing so, work to establish a cycle that encourages users to make purchases continuously.

# BULOVA Brand Policy

## BULOVA



Precisionist



Archives Series  
Lunar Pilot Chronograph



CURV



ACCUTRON

### Main Initiatives

- Targets in North America and Central America, where we are strong, are showing a growth trend over the long term.
- Add novel materials and technologies to the main products and enhance the product portfolio in the entry luxury area, where higher value is added.





## Main Initiatives

- Further raise the profitability of mechanical movements, which are expected to see steady results in the long term.
- Reinforce the development and sale of Swiss-made movements of La Joux-Perret S.A., a manufacturer operating as a Group company.

Medium-term Management Plan 2024

# Machine Tools

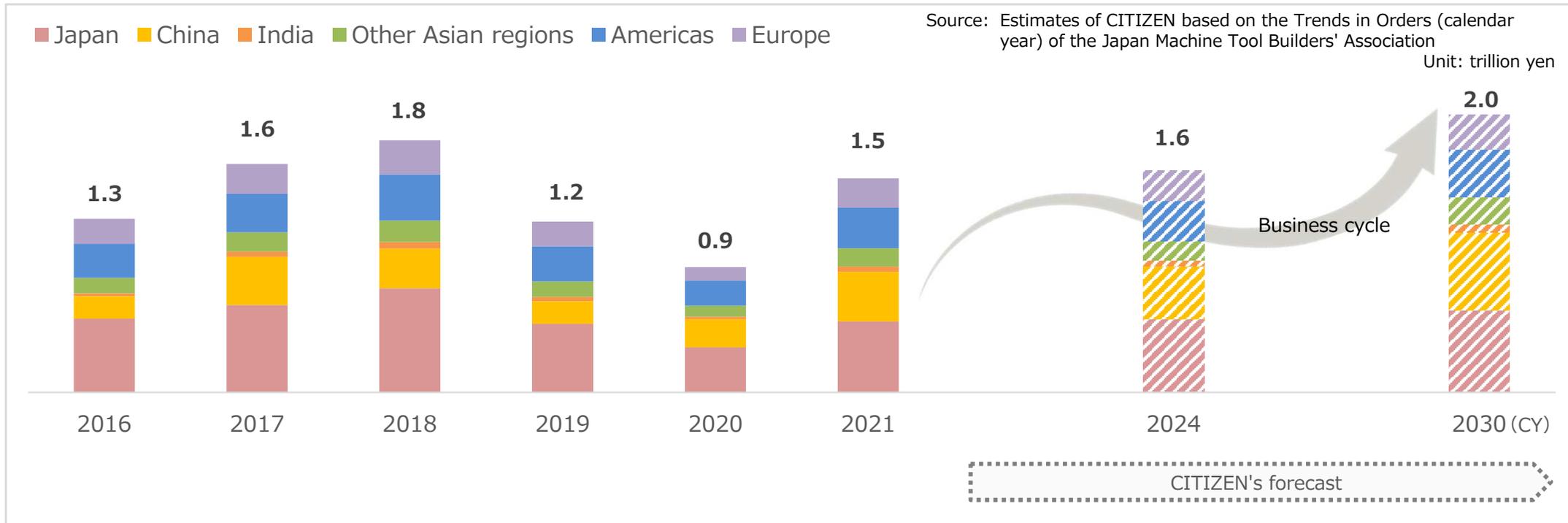


Policy in the Medium-Term Management Plan	Achieve further growth	Key strategies	<ul style="list-style-type: none"> <li>■ Establishment of business foundations with an eye toward achieving the net sales of 100 billion yen.</li> <li>■ Differentiation by leveraging processing technologies.</li> <li>■ Expansion of areas where automation/labor-saving measures are applied.</li> </ul>		
FY2024 numerical target	<table border="1"> <tr> <td>Net sales</td> <td>86.0 billion yen</td> </tr> <tr> <td>Operating profit Operating profit margin</td> <td>12.5 billion yen 14.5 %</td> </tr> </table>			Net sales	86.0 billion yen
Net sales	86.0 billion yen				
Operating profit Operating profit margin	12.5 billion yen 14.5 %				

Material issues to address	   	Responding to climate change and contributing to a recycling-oriented society
	 	Providing solutions in industry
	  	Increasing job satisfaction and cultivating human resources
	  	Fulfilling social responsibility

# Machine Tools Business Market Conditions

## Forecast trends in machine tools market



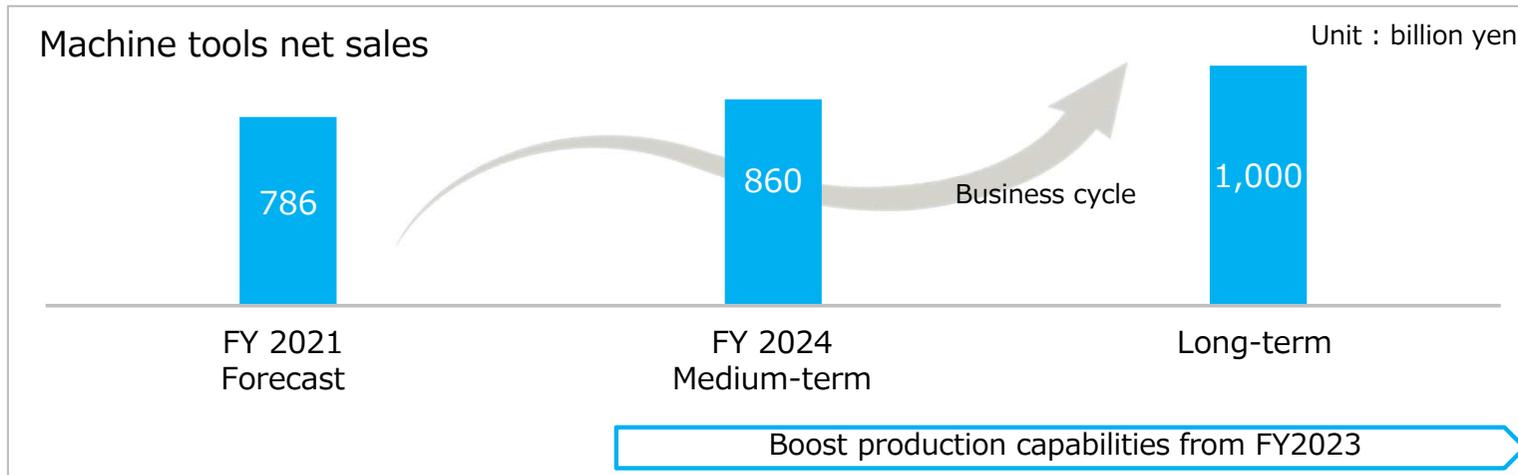
## Market Conditions

- Requirements for capital expenditure for automation and labor saving are expected, in accordance with business cycles, in a wide range of industries, including the automobile (including new demand related with electric vehicles), medical, and semiconductor industries, and the market is expected to grow over the long term.
- Demand is expected to expand primarily in China, India, and other Asian countries. Demand is moderately rising in major advanced economies.

Establishment of business foundations with an eye toward achieving the net sales of 100 billion yen.

## Enhancement of production capacity and sales/service systems

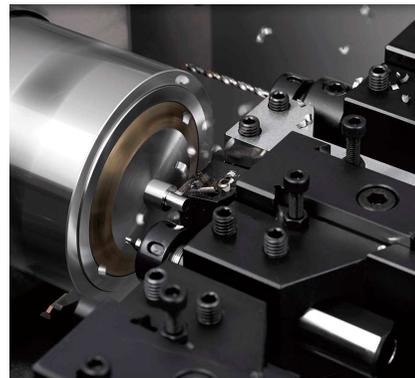
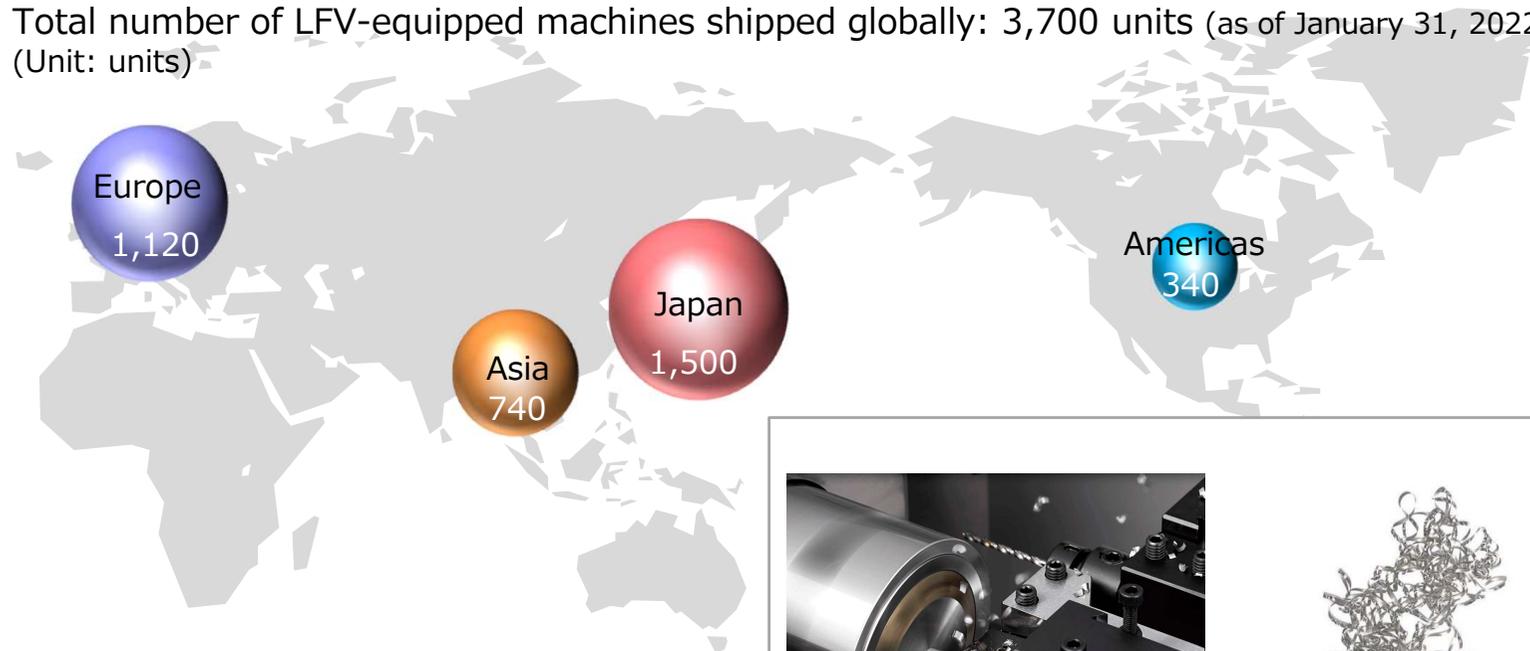
- Accelerate the enhancement of the production capacities of the factories in China, Thailand and Japan (Karuizawa) in anticipation of an increase in total production capacity of 40% in FY2023 from the FY2021 level.
- Continue to reinforce sales and service systems in Asia, an area that is expected to grow on a long-term basis.
- Aim to achieve net sales of 86 billion yen as a milestone in the medium-term management plan while simultaneously eyeing a long-term target of 100 billion yen in net sales, taking cyclical economic fluctuations into consideration.



### Low Frequency Vibration-Cutting (LFV) Technology

- The low frequency vibration-cutting (LFV) technology is CITIZEN's original processing technology that facilitates processing while simultaneously breaking chips into very fine pieces.
- This will help solve a range of chip issues and make a significant contribution to bolstering productivity.
- Sales of LFV-equipped machines are rising not only in Japan, Europe and the United States, where the products demonstrate their competitiveness, but in Asia as well. We will strive to further increase sales taking advantage of competitive processing technology.

Total number of LFV-equipped machines shipped globally: 3,700 units (as of January 31, 2022)  
(Unit: units)



Conventional chips

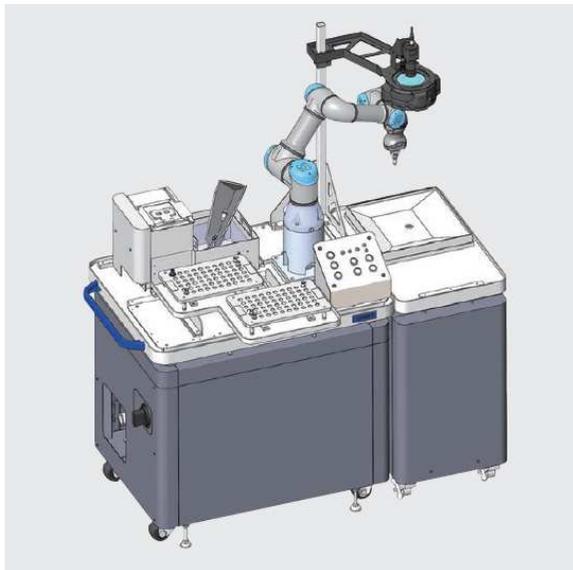


Chips broken into pieces with the LFV technology

## Expansion of areas where automation/labor-saving measures are applied

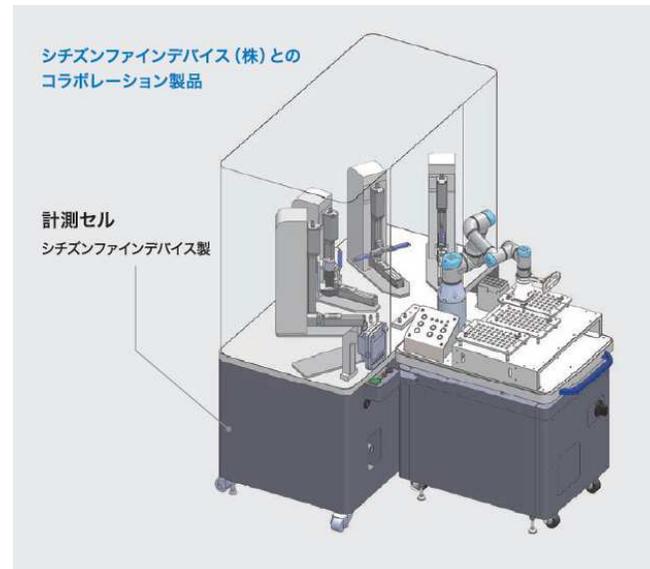
### FA Friendly (robot systems)

- Strengthen product development and sales systems through the adoption of FA Friendly (robot systems).
- Strive to offer new solutions to further facilitate automation and labor-saving for material supply equipment, product transportation equipment, product storage equipment, machine-to-machine transportation equipment, etc.



- Version for randomly placed works picking system (on-cart type)

A system that offers picking, simple cleaning and air-blow services for randomly placed works for palletization through the camera-based attitude and shape sensor.



- Version for measurement cell docking (on-cart type)

An automatic inspection system that measures the internal diameter, external diameter and longer side of palletized works and conducts camera-based external checks (checks on the adhesion of any foreign objects and occurrence of any dents)

Medium-term Management Plan 2024

Devices and Components / Electronic and Other Products



Devices and Components / Electronics and Other Products Key Strategies



Devices and Components

Precision components	Automotive components
	Quartz devices
	Motors
Opto-devices	LEDs for lighting
	Chip LEDs

Promote orders for high value-added products; expand sales of EV parts; develop fields other than the auto parts field.  
 Expand the wafer business, commercialize new products, using brittle materials and precision processing technology.  
 Further develop specific markets and develop next-generation technologies to maintain the highly profitable business structure.  
 Expansion of high-efficiency, long-life, environmentally friendly products  
 Entry and expansion into new business areas

Electronics and Other Products

Electronics	Photo printer
	Compact printer
	Healthcare Products

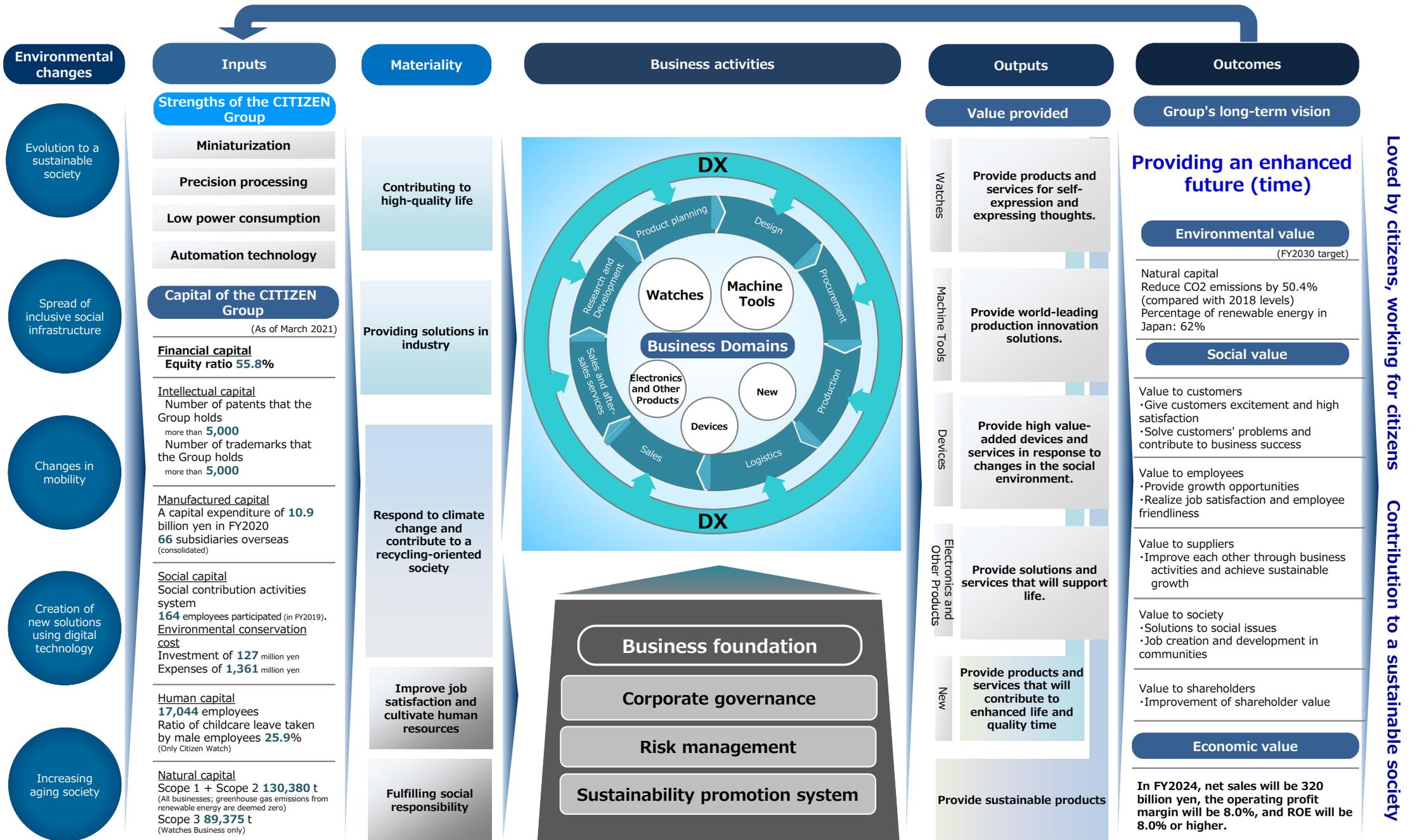


Grow the sublimation printer business and expand market share.  
 Reinforce the development and sales of products that are strong in specific areas.  
 Expand e-commerce sales and promote sales of the app Health Appointment that helps users become accustomed to measurement.

CITIZEN Group Value Creation Model

# CITIZEN Group Value Creation Model





### Environmental changes

Evolution to a sustainable society

Spread of inclusive social infrastructure

Changes in mobility

Creation of new solutions using digital technology

Increasing aging society

### Inputs

#### Strengths of the CITIZEN Group

- Miniaturization
- Precision processing
- Low power consumption
- Automation technology

#### Capital of the CITIZEN Group

(As of March 2021)

- Financial capital**  
Equity ratio 55.8%
- Intellectual capital**  
Number of patents that the Group holds more than **5,000**  
Number of trademarks that the Group holds more than **5,000**
- Manufactured capital**  
A capital expenditure of **10.9** billion yen in FY2020  
**66** subsidiaries overseas (consolidated)
- Social capital**  
Social contribution activities system  
**164** employees participated (in FY2019).
- Environmental conservation cost**  
Investment of **127** million yen  
Expenses of **1,361** million yen
- Human capital**  
**17,044** employees  
Ratio of childcare leave taken by male employees **25.9%** (Only Citizen Watch)
- Natural capital**  
Scope 1 + Scope 2 **130,380 t** (All businesses; greenhouse gas emissions from renewable energy are deemed zero)  
Scope 3 **89,375 t** (Watches Business only)

### Materiality

Contributing to high-quality life

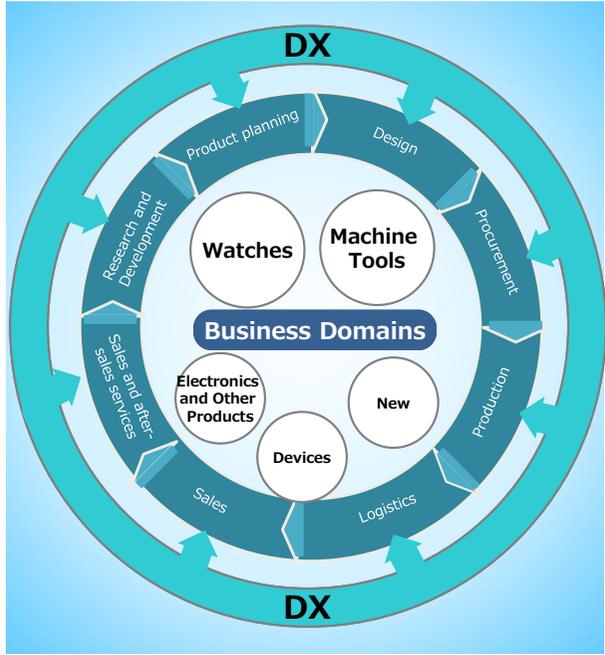
Providing solutions in industry

Respond to climate change and contribute to a recycling-oriented society

Improve job satisfaction and cultivate human resources

Fulfilling social responsibility

### Business activities



### Outputs

#### Value provided

- Watches: Provide products and services for self-expression and expressing thoughts.
- Machine Tools: Provide world-leading production innovation solutions.
- Devices: Provide high value-added devices and services in response to changes in the social environment.
- Electronics and Other Products: Provide solutions and services that will support life.
- New: Provide products and services that will contribute to enhanced life and quality time.
- Provide sustainable products

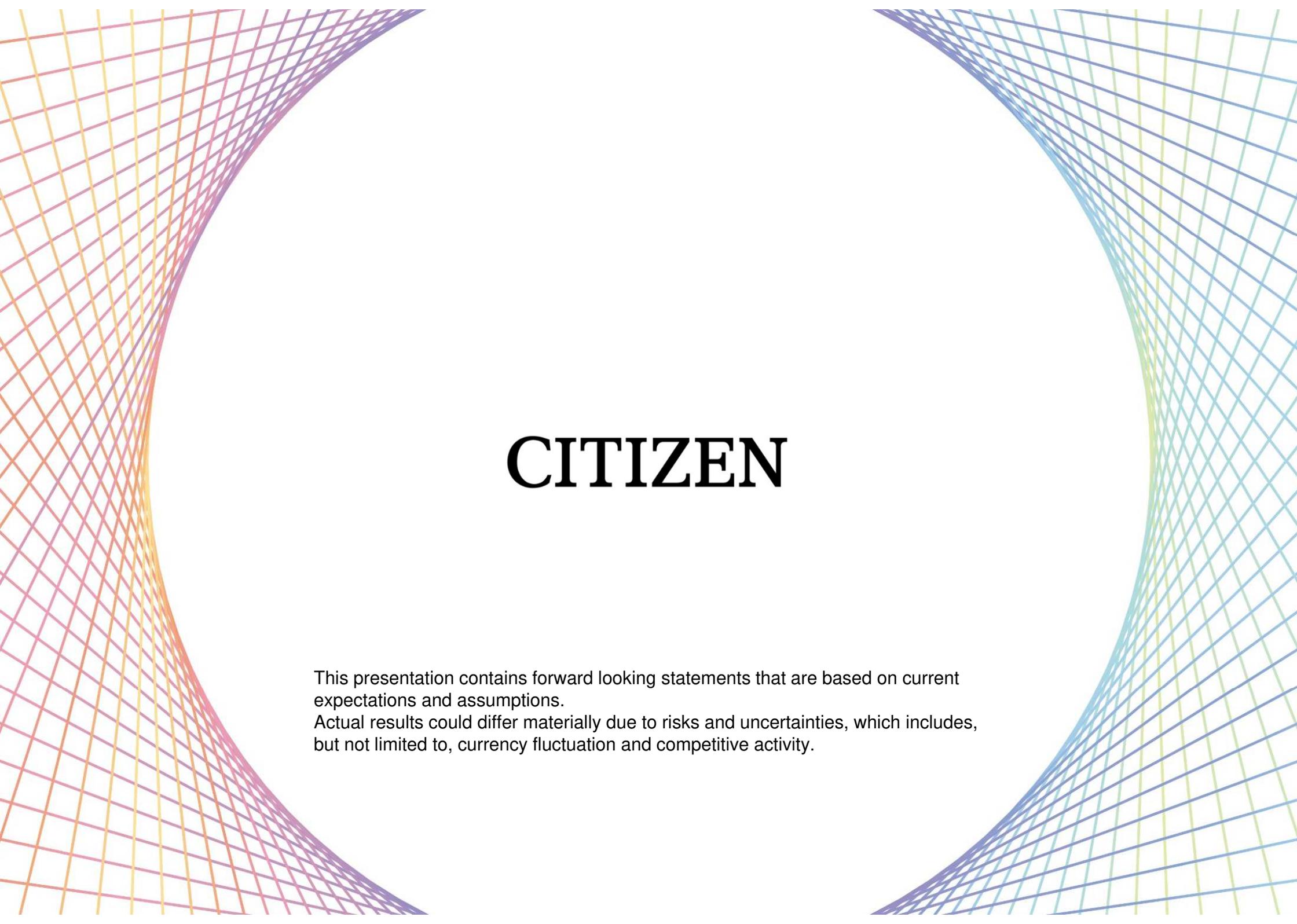
### Outcomes

#### Group's long-term vision

Providing an enhanced future (time)

- Environmental value**  
(FY2030 target)  
Natural capital  
Reduce CO2 emissions by 50.4% (compared with 2018 levels)  
Percentage of renewable energy in Japan: 62%
- Social value**  
Value to customers  
• Give customers excitement and high satisfaction  
• Solve customers' problems and contribute to business success  
Value to employees  
• Provide growth opportunities  
• Realize job satisfaction and employee friendliness  
Value to suppliers  
• Improve each other through business activities and achieve sustainable growth  
Value to society  
• Solutions to social issues  
• Job creation and development in communities  
Value to shareholders  
• Improvement of shareholder value
- Economic value**  
In FY2024, net sales will be 320 billion yen, the operating profit margin will be 8.0%, and ROE will be 8.0% or higher.

Loved by citizens, working for citizens  
Contribution to a sustainable society



# CITIZEN

This presentation contains forward looking statements that are based on current expectations and assumptions. Actual results could differ materially due to risks and uncertainties, which includes, but not limited to, currency fluctuation and competitive activity.