

November 13, 2023
Citizen Watch Co., Ltd.

Main questions and answers at the earnings presentation for Six months ended September 30, 2023

Date/Time: November 13, 2023 (Monday) 16:00-17:00

Participants from the Company: Toshihiko Sato, President and CEO; Toshiyuki Furukawa, Managing Director; Yoshitaka Oji, Managing Director

Main questions and answers:

[Watches]

Q) What is your outlook for the Watches business for the second half?

A) In Japan, there is a rising trend in the market partly due to the recovery of inbound demand. We take a conservative view regarding the business outlook for the North American market, although its performance has been firm so far. The European market is expected to remain steady although, as in the North American market, there are risk factors. We believe that the market has hit bottom in China. Still, it remains weak due to the delayed economic recovery.

Q) Am I correct in assuming that the upward revision of the Watches business largely reflects the effect of the weak yen attributable to the change in the assumptions regarding exchange rates?

A) In Japan, Europe and North America, market conditions are trending toward an upswing, regardless of the impact of exchange rates. The operating profit forecast reflects the impact of slight adjustments in the production of movements which will be made in the second half. Excluding the impact of exchange rates, it is generally in line with the projection.

Q) In connection with how raising unit prices will contribute to an improvement in profitability, do you think investing in advertising is becoming a burden?

A) We have been raising unit prices by implementing price increases yearly and releasing products with high unit prices. Despite the investment in advertising, we have succeeded in improving the operating profit margin to 13% for the first half of FY2023. Therefore, we think that profitability is being improved more steadily than before.

Q) What is your future outlook in terms of sales of movements?

A) The Chinese market's recovery is slow. In addition, with the recovery of demand being slower than expected in Europe and the United States, we take a rather conservative view.

[Machine Tools]

Q) Please tell us about the future outlook for orders

A) Orders expected to be received in the second half will not fall below the level in the second quarter of the fiscal year ended March 31, 2023. Even so, instead of moving into a recovery stage, we will

continue to experience an uncertain situation in which we expect orders received to remain at low levels. It is difficult to predict the timing at which orders will turn toward a recovery. We will keep watching to see when the turnaround will occur regarding the order situation after we move into 2024.

Q) Do you see any difference in the situation of orders from a perspective of your clients' locations and industries?

A) Looking at orders on an industry-by-industry basis, orders related to medical equipment are solid and we expect they will remain steady going forward. We see the automobile industry continuing to take a cautious stance on capital investment, although production is recovering. It is difficult to say when the business fields other than the medical equipment will turn around.

From a region-by-region perspective, market conditions are toughest in Asia. However, the markets in Europe, the United States and Japan may recover relatively quickly.