

Main questions and answers at the earnings presentation for the first quarter ended June  
30, 2024

Date/Time: August 13, 2024 (Tuesday) 4:00 p.m. -5:00 p.m.

Participants from the Company: Toshiyuki Furukawa, Managing Director; Yoshitaka Oji,  
Managing Director

Main questions and answers:

[General]

Q) Regarding the differences from the expected results for the first quarter

A) Net sales were slightly higher than expected partly due to the effect of the weaker yen, while operating profit was in line with the forecast. Excluding the effect of foreign exchange rates, in the Watches business, sales were in line with expectations, while operating profit was slightly lower. In the Machine Tools business, both sales and operating profit fell slightly below expectations. In the Devices and Components business, sales were in line with expectations and operating profit were higher. In the Electronics and Other Products business, both sales and operating profit exceeded expectations.

[Watches]

Q) Factors that decreased operating profit

A) In terms of year-on-year comparisons, the decrease was due to the increase in advertising expenses linked to the 100th anniversary of the first CITIZEN brand watch and the adjustment of movement inventories. From the perspective of changes from expectations, the decrease was due to faster-than-expected progress in the adjustment of movement inventories, which is planned to be completed in a year, in the first quarter.

Q) Regarding the increase in advertising expenses

A) We usually don't make a lot of advertising investments in the first quarter. However, with events, including those related to the 100th anniversary of the first CITIZEN brand watch, planned to be held mainly in the first half in the current fiscal year, we started to make advertising investments in earnest in the first quarter, and progress is being made as expected.

Q) Regarding the status of the mainstay North American market.

A) Sales at department stores and jewelry chains were almost at the year-ago level. However, overall sales declined slightly, reflecting the cautious attitude toward purchases shown by tourism distribution channels. Sell-throughs at main distribution channels are generally steady and sales are expected to be in line with expectations.

Q) Regarding unit sale prices

A) Unit sales prices for CITIZEN brand watches maintained an upward trend, recording year-on-year rises of 20% in Japan and more than 10% overseas as a whole on a yen basis.

[Machine Tools]

Q) Regarding future trends in orders received and reactionary movements to the last-minute surge in demand in March before the price hike

A) Japan experienced the greatest negative impact of the last-minute surge in demand, and may continue to be affected to some extent even in July and beyond. In addition, orders received tend to be at low levels in July and August due to summer holidays in Europe and the United States. Nevertheless, our assessment is that orders are trending toward a moderate recovery overall throughout the fiscal year.