November 12, 2026

Citizen Watch Co., Ltd.

Main questions and answers at the financial results presentation for the second quarter ended September 30, 2026

Date/Time: November 12, 2026 (Thursday) 4:40 p.m. - 5:40 p.m.

Participants from the Company:

Yoshitaka Oji, President & CEO; Toshiyuki Furukawa, Senior Managing Director;

Keiichi Kobayashi, Director

Main questions and answers:

[General]

Q) How much in additional U.S. tariff refunds do you expect to post as operating profit in the second half?

A) In the second quarter, we received 3.9 billion yen of additional U.S. tariff refunds. We recognized a 3.6 billion yen portion of this amount as a reduction in the cost of sales. The remainder, around 0.3 billion yen, is included in inventories. It will be posted as operating profit in accordance with the progress of sales. The revised financial forecasts take this into account.

[Watches]

Q) Why are second quarter results higher than expected, and how long is this strong performance expected to last going into the second half?

A) Net sales increased year on year in all regions, exceeding expectations. In the mainstay North American region in particular, net sales increased by approximately 30% year on year, significantly exceeding expectations. In this region, the unit sales price and sales volumes of both the CITIZEN and BULOVA brands, excluding the impact of foreign exchange rates, grew approximately 15%. The growth of shipments of high value-added models also contributed to the higher profitability. The increase in sales volumes reflects progress in initiatives for young and female users. In department stores and other major distribution channels, sell-through remains solid. We foresee that the trends in the first half will continue in the second half in both finished watches and movements.

Q) What is the trend in sales of movements and what are the prospects in terms of production and supply?

A) Sales of movements increased by slightly less than 20% year on year in the second quarter and by around 20% year on year in the first half. Performance in both mechanical movements and analog movements grew steadily. The average unit sales price rose just under 10%. Supply is tight due to increasing demand, but there are no major obstacles to sales to date. At the beginning of the current Medium-term Management Plan, we started increasing mechanical movement production capacity and building a structure to increase production. While monitoring demand trends, we will seek to balance production for finished watches and production for external sales.

[Machine Tools]

Q) What is your sales plan for the second half and what actions will you take to increase production in the future?

A) We optimized production allocation at individual production sites in the first and second quarters and achieved an increase in production through overall efficiency improvements. In particular, we have confirmed that we will receive orders for R Series small-sized machines for processing probe pins for delivery before March 2028. They are in tight supply, and currently, we are temporarily adjusting the acceptance of new orders. We are planning to increase production capacity by around 50% after the start of the new year. When we are close to completing the reinforcement of our production system, we will begin accepting orders again.