

CITIZEN

Earning Presentation

for the Year ended March 31, 2020

CITIZEN WATCH CO., LTD.

May 14, 2020

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.

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Summary of Financial Results for FY2019

Key Notes on Financial Results for FY2019

■ Full-year financial results for FY2019

- Watches segment

Sales and profit decreased for both finished products and movements, reflecting a sharp downturn due to the spread of COVID-19 and sluggish market conditions.

- Machine Tools segment

Results were in line with the forecasts that were revised downward. Meanwhile, uncertainty grew.

- Extraordinary losses amounting to 24.5 billion yen were posted.

An impairment loss was recognized as a result of the review of production structure, mainly in the Watches segment.

■ Forecast for full-year financial results for FY2020

Undecided for now in consideration of the situation in which reasonable calculations are difficult with respect to the impact from the spread of COVID-19.

Financial Results for FY 2019

(Unit : billion yen)	FY2018 Result	FY2019 Result	YoY Change	
			%	Amount
Net sales	321.6	278.5	▲13.4%	▲ 43.1
Operating profit	22.4	6.1	▲72.6%	▲ 16.2
Operating margin	7.0%	2.2%	-	-
Ordinary Profit	26.6	7.5	▲71.7%	▲ 19.0
Profit attributable to owners of parent	13.3	▲ 16.6	-	▲ 30.0
Exchange rate	¥111/USD ¥129/EUR	¥109/USD ¥121/EUR	-	

Effect of exchange	Net sales	Operating profit
USD	+1.30	+0.30
EUR	+0.20	+0.07

(1 weaker yen, Annual)

Financial results by Business Segments

Net sales

	FY2019 2/12E	FY2019 Result	Increase (Decrease)	
	Full Year	Full Year	%	Amount
(Unit: billion yen, %:operating margin)				
Watches	150.0	141.6	▲5.6%	▲ 8.3
Machine Tools	58.0	58.5	+0.9%	+0.5
Devices and Components	56.0	55.9	▲0.1%	▲ 0.0
Electronic Products	17.5	16.8	▲3.6%	▲ 0.6
Other Products	6.0	5.5	▲7.6%	▲ 0.4
Consolidated Total	287.5	278.5	▲3.1%	▲ 8.9

Operating profit

Watches	7.0 (4.7%)	3.9 (2.8%)	▲43.7%	▲ 3.0
Machine Tools	7.3 (12.7%)	7.2 (12.4%)	▲1.2%	▲ 0.0
Devices and Components	0.8 (1.4%)	0.9 (1.7%)	+15.9%	+0.1
Electronic Products	▲ 0.2 (▲1.1%)	▲ 0.2 (▲1.5%)	-	▲ 0.0
Other Products	0.2 (3.3%)	0.0 (0.8%)	▲79.0%	▲ 0.1
Eliminations or general corporate	▲ 6.1	▲ 5.7	-	+0.3
Consolidated Total	9.0 (3.1%)	6.1 (2.2%)	▲31.8%	▲ 2.8

Financial results by Business Segments

Net sales

(Unit: billion yen, %:operating margin)	FY2018 Result	FY2019 Result	YoY change	
			%	Amount
Watches	163.5	141.6	▲13.4%	▲ 21.9
Machine Tools	72.1	58.5	▲18.9%	▲ 13.6
Devices and Components	60.8	55.9	▲8.0%	▲ 4.8
Electronic Products	19.3	16.8	▲12.7%	▲ 2.4
Other Products	5.8	5.5	▲4.8%	▲ 0.2
Consolidated Total	321.6	278.5	▲13.4%	▲ 43.1

Operating profit

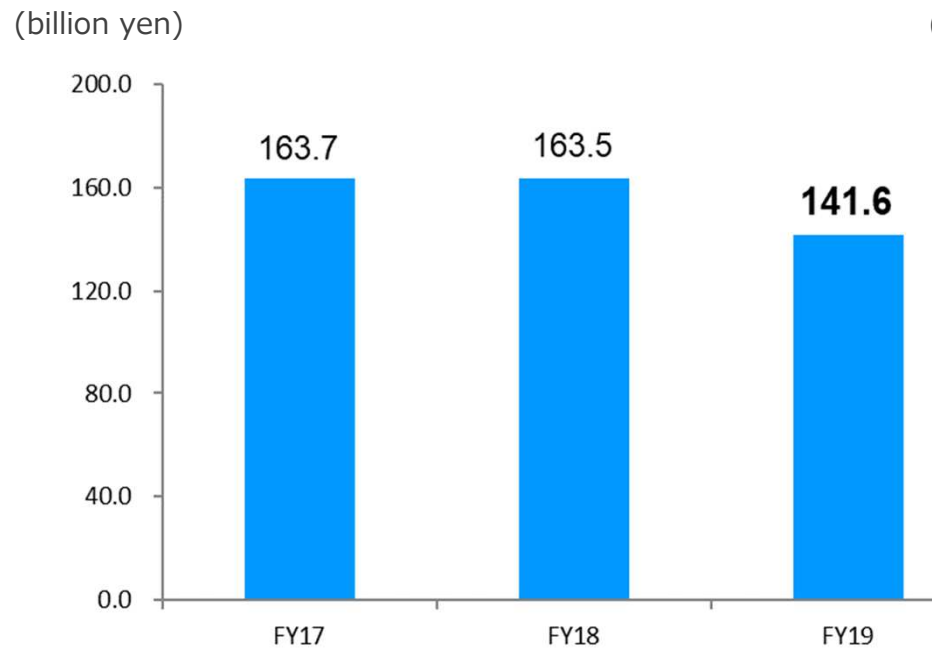
Watches	12.4 (7.6%)	3.9 (2.8%)	▲68.3%	▲ 8.5
Machine Tools	13.0 (18.1%)	7.2 (12.4%)	▲44.5%	▲ 5.8
Devices and Components	2.5 (4.2%)	0.9 (1.7%)	▲63.6%	▲ 1.6
Electronic Products	0.4 (2.3%)	▲ 0.2 (▲1.5%)	-	-0.6
Other Products	0.1 (2.5%)	0.0 (0.8%)	▲71.3%	▲ 0.1
Eliminations or general corporate	▲ 6.2	▲ 5.7	-	+0.4
Consolidated Total	22.4 (7.0%)	6.1 (2.2%)	▲72.6%	▲ 16.2

Watches (Operating Performance)

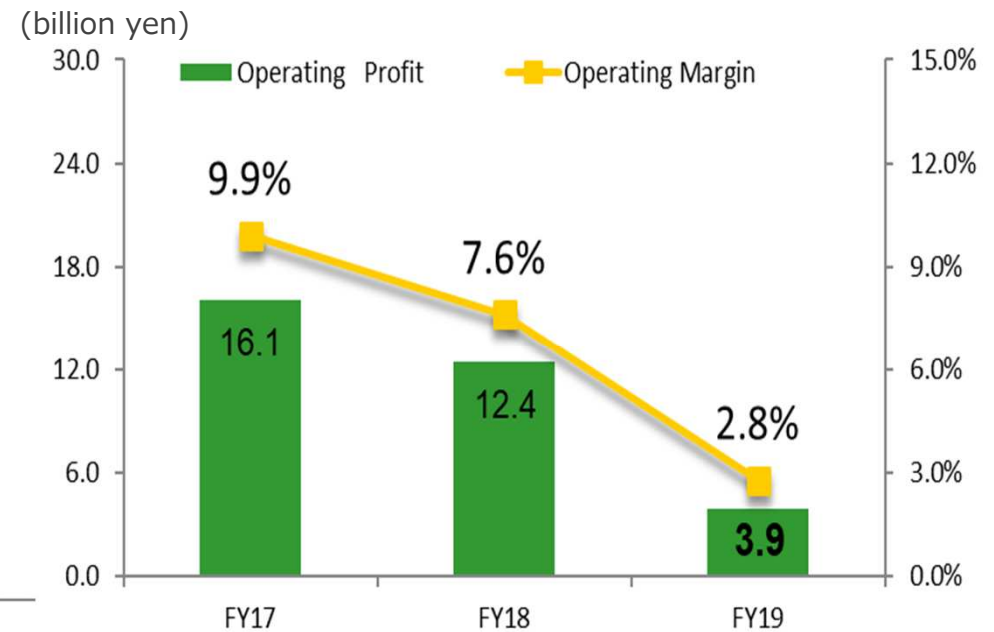
Full-year status: The domestic market experienced a downturn due to sluggish demand following the consumption tax hike. In the overseas market, sales remained slow mainly in North America. Sales of movements declined due to the sluggish growth of analog quartz movements, mainly in the high value-added product line.

4Q status: Due to the global impact of COVID-19, demand for movements further declined and sales of finished products fell sharply in Japan and North America.

Net sales



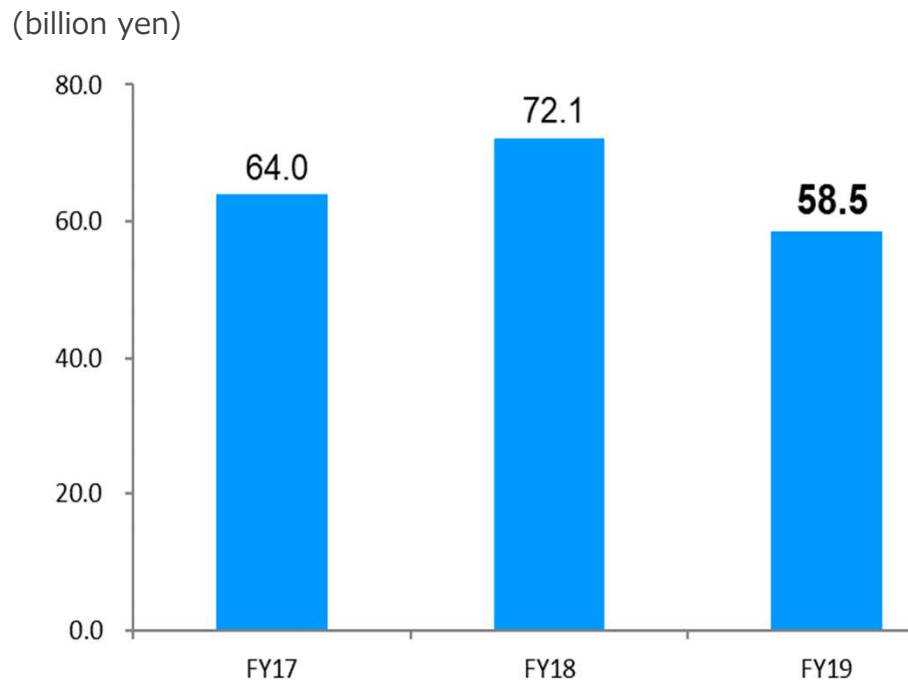
Operating profit



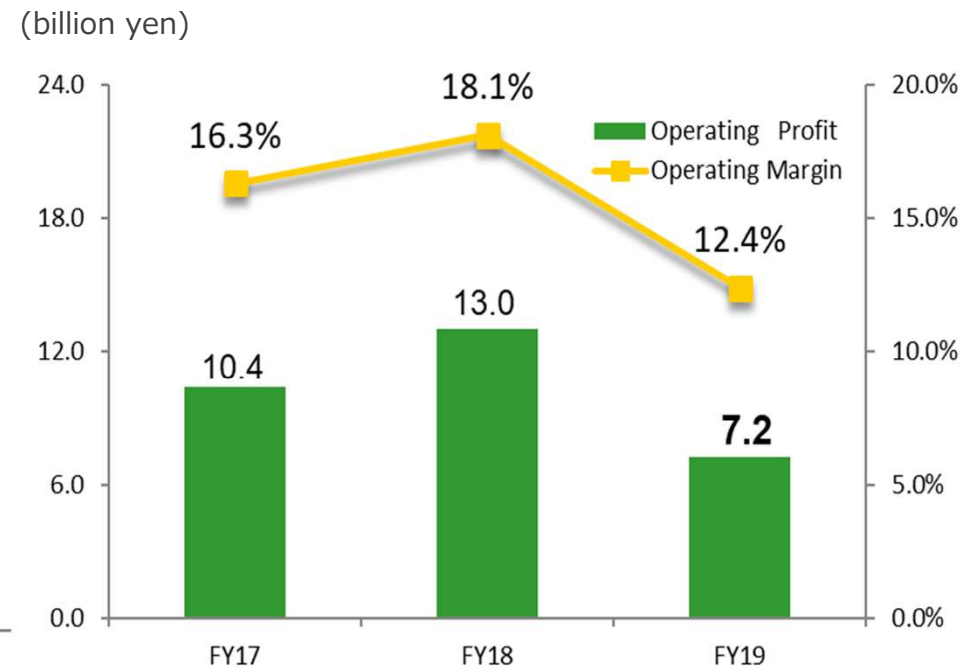
Machine Tools (Operating Performance)

- Overseas market :
Sales decreased, reflecting the deterioration of the global market environment despite solid sales of healthcare-related products in China.
- Domestic market :
Sales declined, reflecting weak sales of automobile-related products and a sharp fall in appetite for capital expenditures.

Net sales



Operating profit

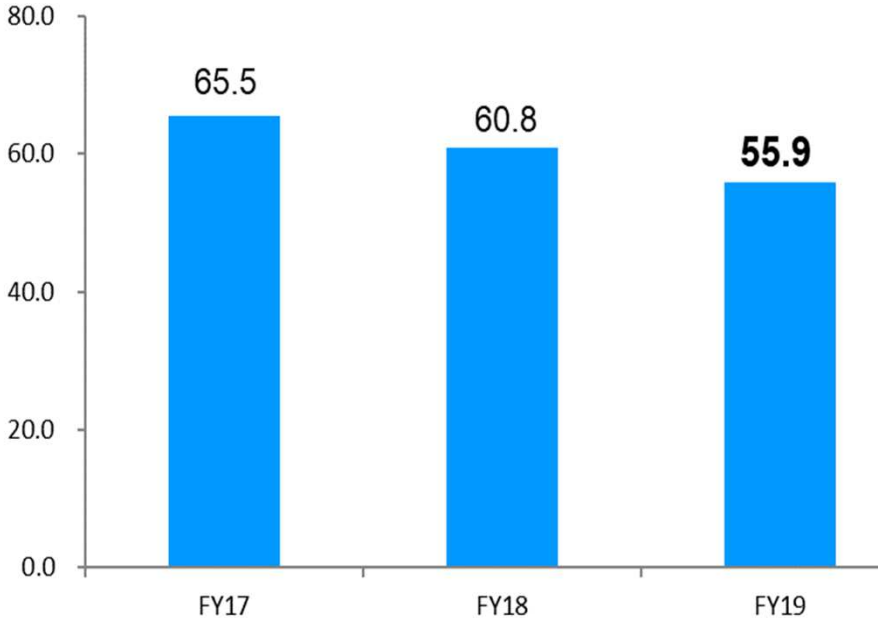


Devices and Components (Operating Performance)

- Precision machining components:
Sales decreased due to poor sales of auto parts following the decline in new car sales.
- Opto-devices:
Sales decreased due to the implementation of initiatives with a focus on profitability and a fall in demand, particularly for LEDs for automobiles.

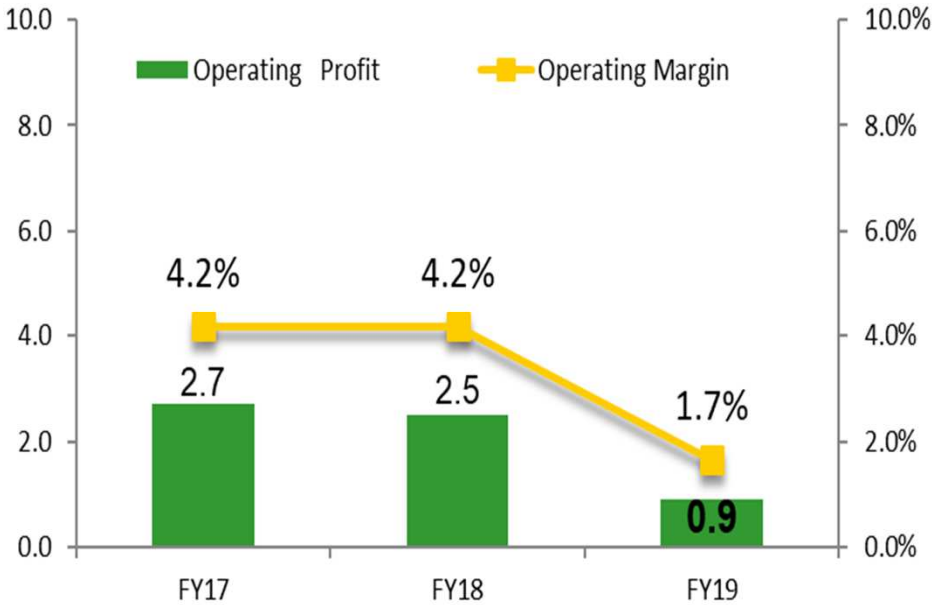
Net sales

(billion yen)



Operating profit

(billion yen)



Recognition of Extraordinary Losses

Segment	Extraordinary losses recorded in FY2019	Summary
Watches segment-related	16.7 billion yen	Manufacturing facilities for movements, hybrid smartwatches-related, and others
Devices and Components segment-related	5.7 billion yen	Expenses for or related to early retirement and the closure of Funehiki factory with respect to Citizen Electronics Co., Ltd and other factors
Others	1.9 billion yen	Jewelry business transfer-related, the dissolution of Citizen Plaza Co., Ltd, and others
Total	24.5 billion yen	

Watches Segment: Priority Strategies for FY2020

Recognized Changes in the Business Environment of the Watches Segment

- Rise of smartwatches
- Evolution of distribution structures from those based on physical stores to EC
- Growing uncertainty over the future due to geopolitical risks
- Global decline in consumer interest due to the spread of COVID-19.

Watches Segment: Priority Strategies for FY2020

Enhancement of profitability with a focus on the promotion of the CITIZEN brand without relying on movements

- 1. Rebuilding of the movement business**
- 2. Strengthening of the CITIZEN brand by spotlighting the Eco-Drive technology**
- 3. Strengthening of online sales and digital marketing**

1. Rebuilding of the Movement Business

1

Optimize the production level of analog quartz movements

2

Continue to streamline operations for cost reduction

3

Respond to solid demand for mechanical movements



2. Strengthening of the CITIZEN Brand by Spotlighting the Eco-Drive Technology

Further expand global brands and develop new customers

 **PROMASTER**

CITIZEN *L*



ATTESA

XC

Continue to enhance awareness of main brands offered in Japan and expand sales in Asia

3. Strengthening of Online Sales and Digital Marketing

Online sales

Facilitate the establishment of a platform for direct sales in addition to the promotion of existing online sales.



Digital marketing

Eco-Drive Riiiver (Riiiver platform)

IoT platform that provides linkage between humans, products and services

FTS Fine tuning service

Creation of uniquely customized watches for individual customers

AI-based recommendation service for watches

Recommendation of watches that match customers' taste and aesthetic

Strategies for Priority Regions

Revitalize activities and accelerate growth in China

- Enhancement of product lines for young people
- Expansion of online sales

Establish profitable financial conditions in North America by reviewing operations.

- Optimization of SG&A expenses through structural reforms
- Expansion of online sales

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Balance Sheet

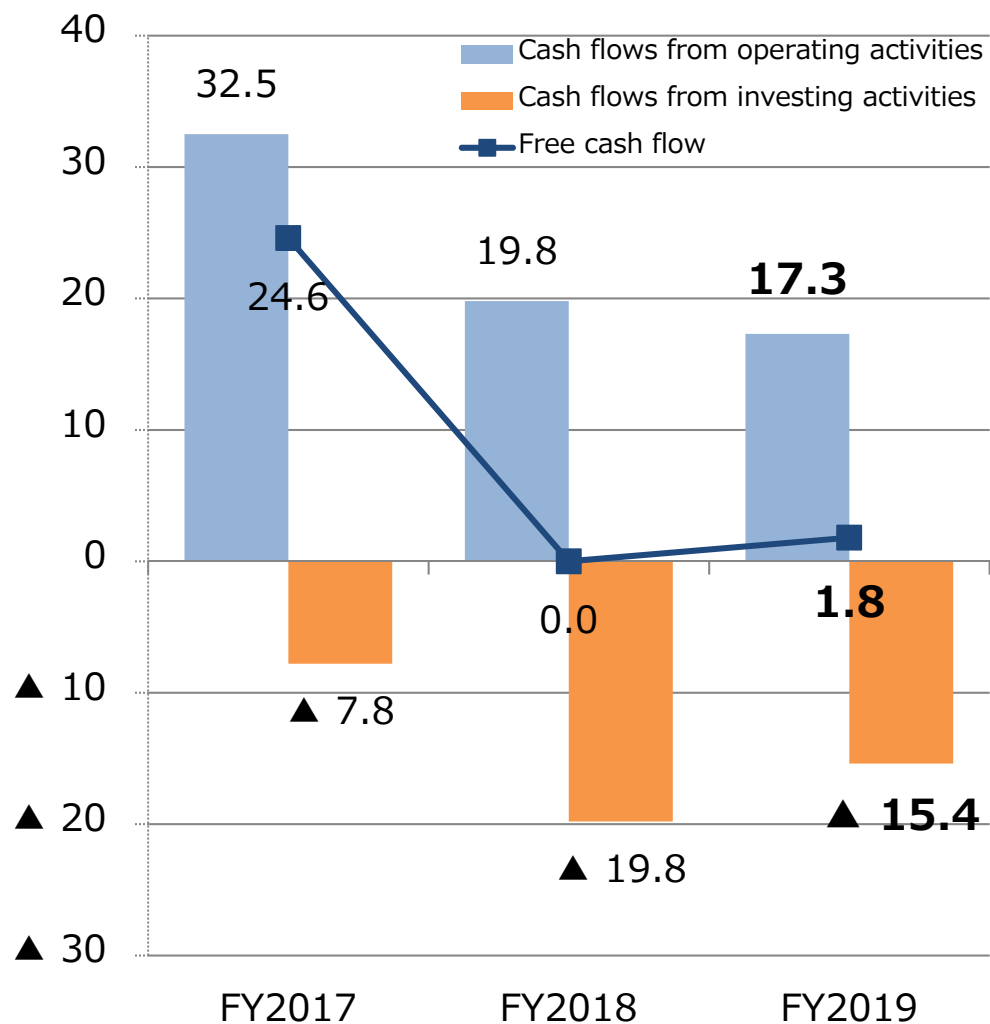
Reference

(Unit: billion yen)	March 31, 2019	December 31, 2019	Change from end of previous fiscal year
Current assets	258.9	235.6	▲ 23.3
Cash and deposits	86.8	80.1	▲ 6.7
inventories	98.2	101.1	+2.9
Non-current assets	154.9	133.9	▲ 21.0
Property, plant and equipment	89.6	78.5	▲ 11.1
Investment securities	39.9	33.4	▲ 6.5
Total assets	413.9	369.5	▲ 44.3

(Unit: billion yen)	March 31, 2019	December 31, 2019	Change from end of previous fiscal year
Liabilities	146.3	138.7	▲ 7.5
Interest- bearing debt	51.0	55.1	+4.0
Net assets	267.5	230.7	▲ 36.7
Shareholders' equity	246.8	220.1	▲ 26.7
Foreign currency translation adjustment	3.3	▲ 1.0	▲ 4.3
Total liabilities and net assets	413.9	369.5	▲ 44.3

Statement of Cash Flow

Reference

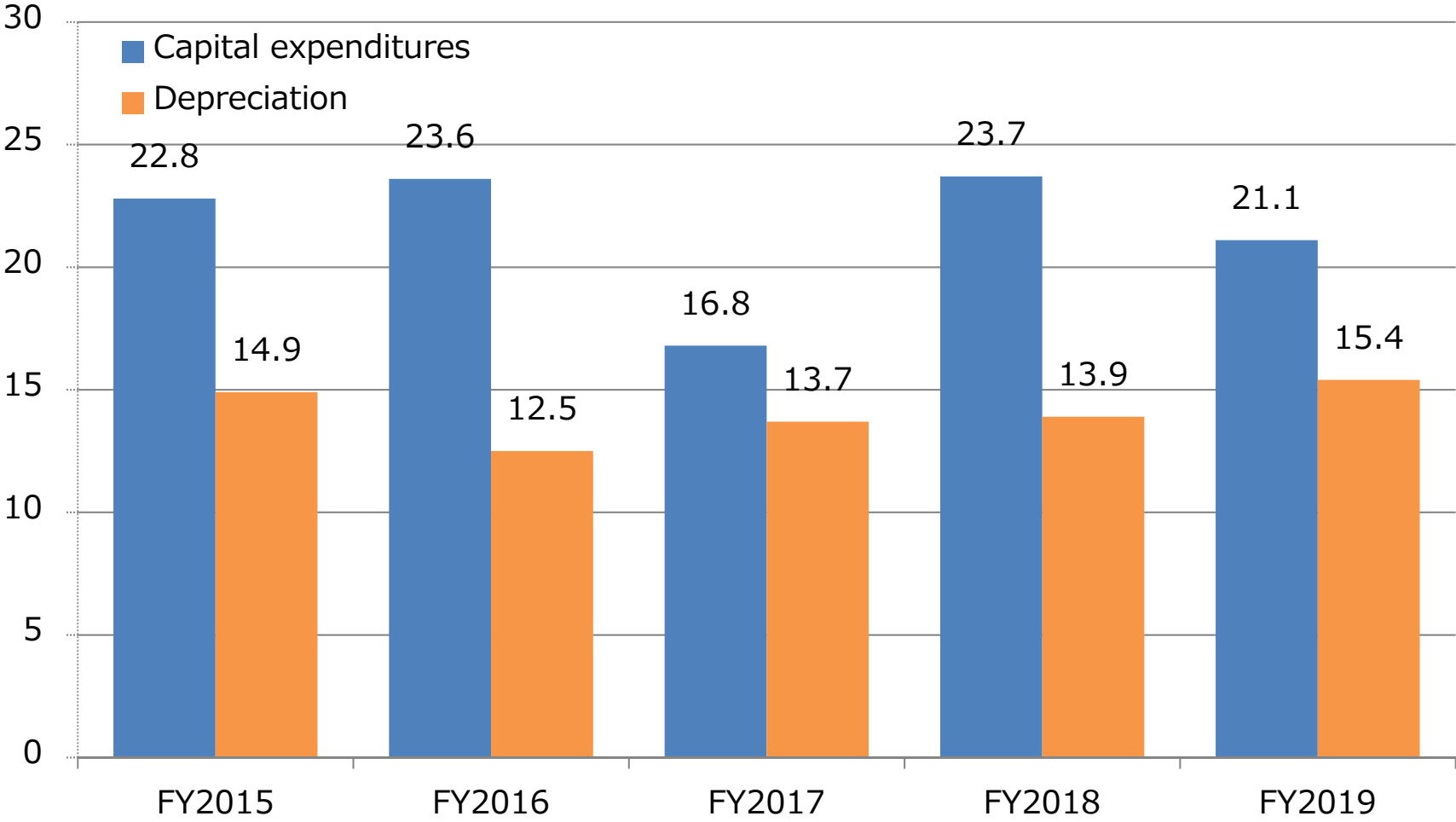


(Unit: billion yen)

	FY 2018	FY 2019	YoY change
Cash flow from operating activities	19.8	17.3	▲2.5
Cash flow from investing activities	▲19.8	▲15.4	+4.3
Free cash flow	0.0	1.8	+1.8
Cash flow from financial activities	▲5.8	▲7.0	▲1.1
Balance of cash and cash equivalents	84.5	77.9	▲6.5

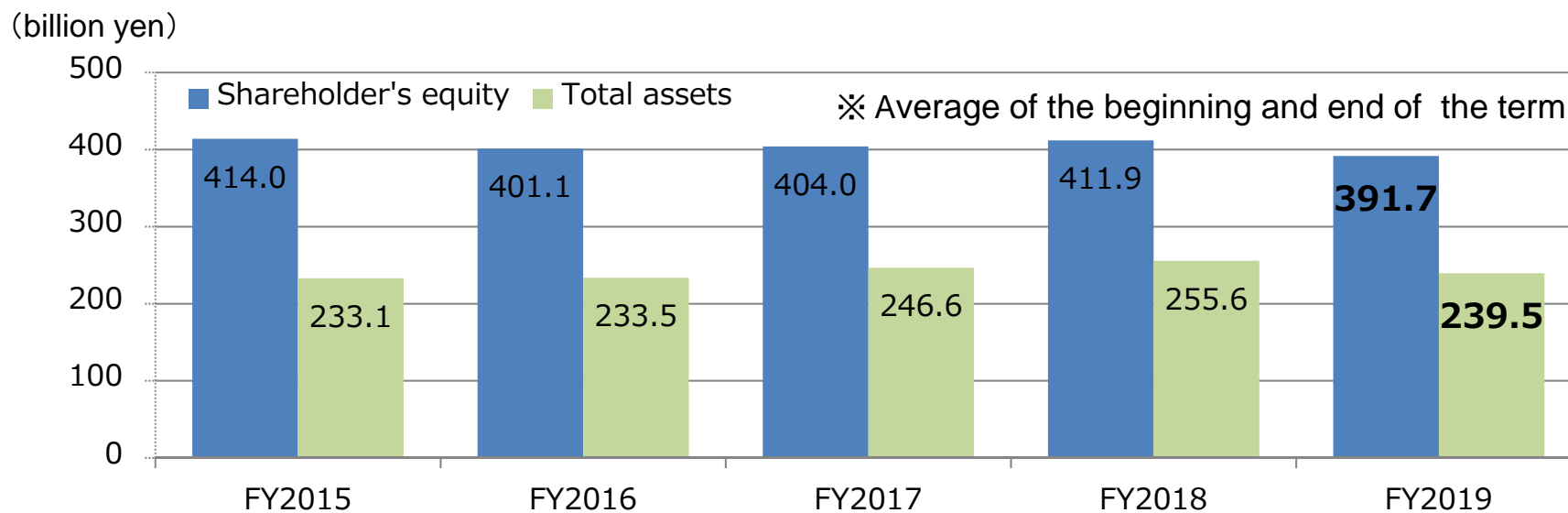
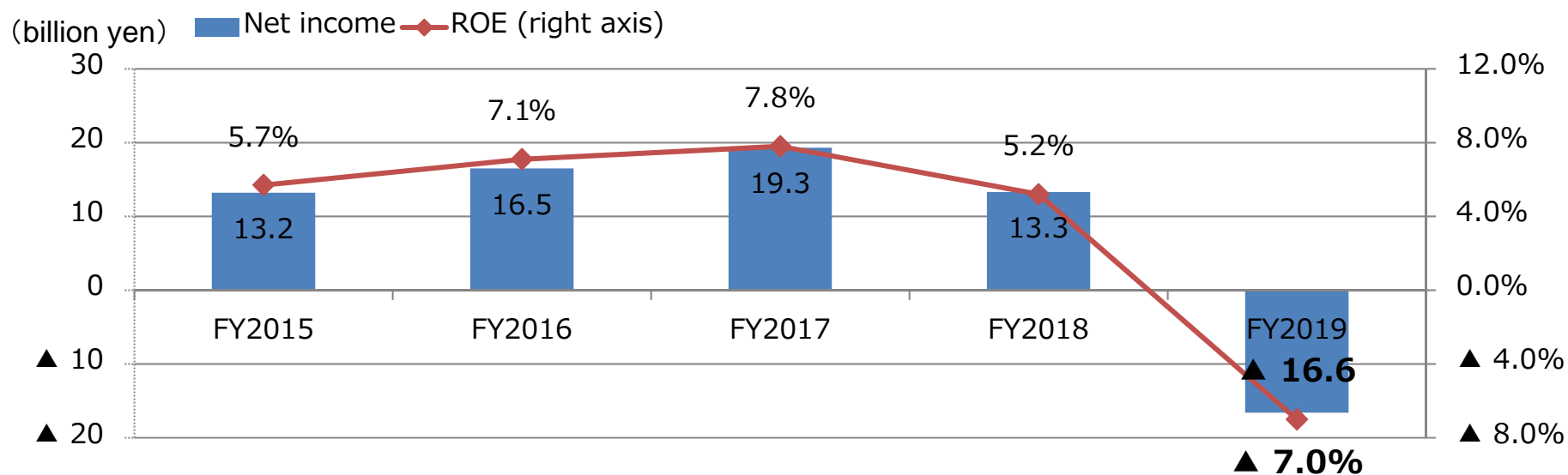
Capital Investment/Depreciation

Reference



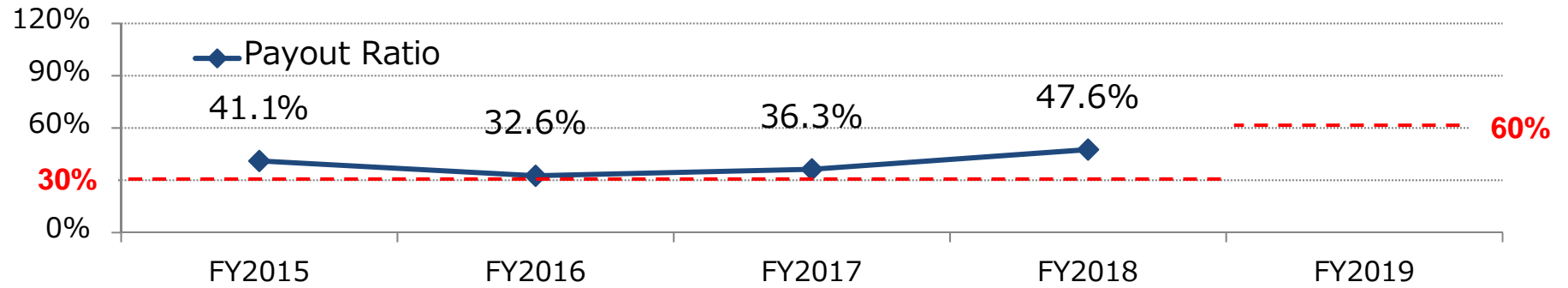
ROE

Reference



Return to Shareholders

Reference



Dividends per share (Full Year)	FY2015	FY2016	FY2017	FY2018	FY2019
	¥17.00	¥17.00	¥22.00	¥20.00	¥12.00E

