

**CITIZEN**

# Earning Presentation

## for Six months ended September 30, 2020

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**CITIZEN WATCH CO., LTD.**

November 12, 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.

- Financial Results for 1H of FY 2020

Both sales and profits decreased

Watches: The extent of the fall in sales decreased in 2Q, in comparison to 1Q.

Machine Tools: Orders received bottomed out and started to recover moderately.

- FY2020 Forecast

Calculated based on information available as of the date of announcement on the assumption that restrictions and other factors significantly limiting economic activities will not increase.

A substantial year-on-year decline is expected in our core businesses, Watches and Machine Tools segments.

- FY2020 Dividends Forecast

Total ¥5.0

(Interim dividend ¥2.5, Year-end dividend ¥2.5)

# Financial Results for 1H of FY 2020

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(Unit : billion yen)	1H19	1H20	YoY Change	
	Result	Result	%	Amount
Net sales	144.4	88.9	▲38.4%	▲ 55.4
Operating profit	5.7	▲ 8.2	-	▲ 13.9
Operating margin	4.0%	▲9.3%	-	-
Ordinary Profit	5.8	▲ 6.1	-	▲ 12.0
Profit attributable to owners of parent	3.5	▲ 21.5	-	▲ 25.1
Exchange rate	¥109/USD ¥122/EUR	¥107/USD ¥121/EUR	-	

- Sales decreased, particularly in the mainstay Watches Segment, despite a gradual recovery in the market environment.
- Reduced SG&A expenses 14 billion yen, for instance by cutting advertising expenses.
- Reversed part of deferred tax assets and posted 10.7 billion yen in income taxes - deferred.

# 1H20 Result by Business Segments

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Net sales (Unit: billion yen)	FY2019	FY2020	YoY Change	
	1H Result	1H Result	%	Amount
■ Watches	72.3	38.1	▲47.3%	▲ 34.2
■ Machine Tools	30.8	20.7	▲32.8%	▲ 10.1
■ Devices and Components	29.3	21.3	▲27.3%	▲ 8.0
■ Electronic and Other Products	11.8	8.8	▲25.5%	▲ 3.0
Consolidated Total	144.4	88.9	▲38.4%	▲ 55.4
Operating Profit (Unit: billion yen, %:operating margin)	FY2019	FY2020	YoY Change	
	1H Result	1H Result	%	Amount
■ Watches	3.4 (4.8%)	▲ 5.3 (▲14.1%)	—	▲ 8.8
■ Machine Tools	4.5 (14.8%)	0.5 (2.9%)	▲87.0%	▲ 3.9
■ Devices and Components	0.7 (2.6%)	▲ 1.0 (▲5.1%)	—	▲ 1.8
■ Electronic and Other Products	0.0 (0.6%)	▲ 0.1 (▲2.1%)	—	▲ 0.2
Eliminations or general corporate	▲ 3.1	▲ 2.1	—	+0.9
Consolidated Total	5.7 (4.0%)	▲ 8.2 (▲9.3%)	—	▲ 13.9

# FY2020 Forecasts for 2H and the Full-Year

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(Unit: billion yen)	FY2019 Result		FY2020 Forecast		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Net sales	134.1	278.5	113.0	202.0	▲ 21.1	▲ 76.5
Operating profit	0.4	6.1	▲ 5.7	▲ 14.0	▲ 6.1	▲ 20.1
Operating margin	0.3%	2.2%	▲ 5.1%	▲ 6.9%	–	–
Ordinary Profit	1.6	7.5	▲ 3.8	▲ 10.0	▲ 5.4	▲ 17.5
Profit attributable to owners of parent	▲ 20.2	▲ 16.6	▲ 8.4	▲ 30.0	+11.8	▲ 13.4
Exchange rate	¥109/USD ¥120/EUR	¥109/USD ¥121/EUR	¥105/USD ¥125/EUR	¥106/USD ¥123/EUR	–	–

- Sales are expected to fall in all segments although the extent of the declines has been decreasing.

# FY2020 Forecast by Business Segment

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Net sales (Unit: billion yen)		FY2019 Result		FY2020 Forecast		Change	
		2H	Full Year	2H	Full Year	2H	Full Year
	Watches	69.2	141.6	57.8	96.0	▲ 11.4	▲ 45.6
	Machine Tools	27.6	58.5	23.2	44.0	▲ 4.4	▲ 14.5
	Devices and Components	26.5	55.9	23.1	44.5	▲ 3.4	▲ 11.4
	Electronic and Other Products	10.6	22.4	8.6	17.5	▲ 2.0	▲ 4.9
Consolidated Total		134.1	278.5	113.0	202.0	▲ 21.1	▲ 76.5
Operating Profit (Unit: billion yen, %:operating margin)		FY2019 Result		FY2020 Forecast		Change	
		2H	Full Year	2H	Full Year	2H	Full Year
	Watches	0.4 (0.7%)	3.9 (2.8%)	▲ 4.1 (▲7.1%)	▲ 9.5 (▲9.9%)	▲ 4.5	▲ 13.4
	Machine Tools	2.6 (9.7%)	7.2 (12.4%)	0.5 (2.2%)	1.1 (2.5%)	▲ 2.1	▲ 6.1
	Devices and Components	0.1 (0.7%)	0.9 (1.7%)	▲ 0.2 (▲0.9%)	▲ 1.3 (▲2.9%)	▲ 0.3	▲ 2.2
	Electronic and Other Products	▲ 0.2 (▲2.6%)	▲ 0.2 (▲1.0%)	0.1 (2.1%)	0.0 (0.0%)	+0.3	+0.2
Eliminations or general corporate		▲ 2.6	▲ 5.7	▲ 2.1	▲ 4.3	+0.5	+1.4
Consolidated Total		0.4 (0.3%)	6.1 (2.2%)	▲ 5.7 (▲5.1%)	▲ 14.0 (▲6.9%)	▲ 6.1	▲ 20.1

- Watches: The North American market is expected to cautious given distribution stocks due to closed physical stores.
- Machine Tools: Operation profit is expected to remained almost unchanged in comparison to 1<sup>st</sup> half due to an increase in operating expenses, although the volume of orders received is expected to increase moderately.

# Watches (1H20 Result)

< Watch sales >

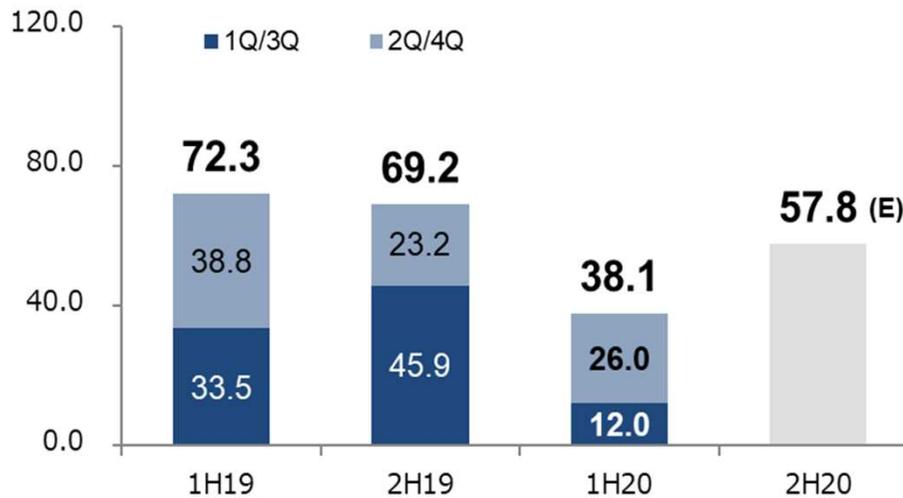
- Overseas market: Sales decreased given sluggish sales at physical stores, despite the gradual recovery associated with the business resumption.
- Domestic market: Sales decreased in response to a sharp decline in demand for inbound tourism and appetite for consumption.

< Movement sales >

- Sales decreased given a worldwide decline in consumption, despite signs of a recovery beginning to appear.

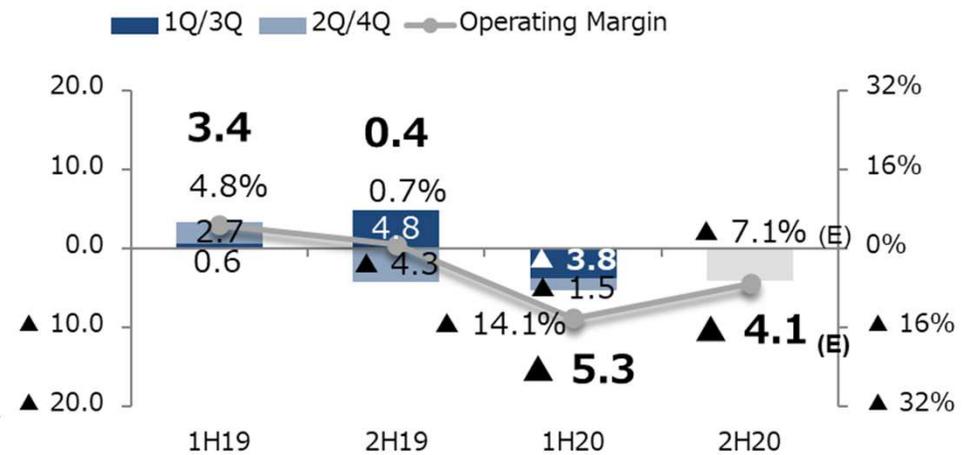
## Net sales

(billion yen)

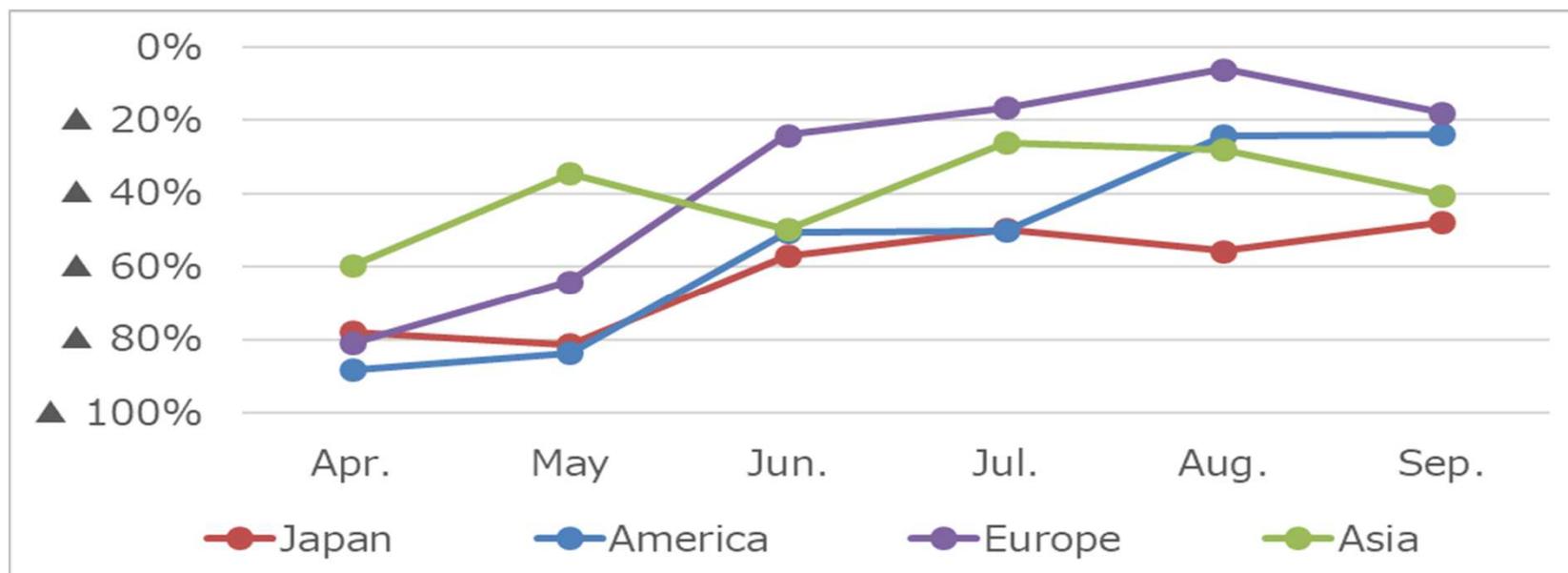


## Operating profit

(billion yen)



■ Rate of change year on year (CITIZEN/BULOVA brands, on a local-currency basis)



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	1 Q	2 Q	
● Japan	▲72%	▲51%	Sales recovered moderately thanks to the resumption of physical store operations, and the extent of the fall has been decreasing.
● America	▲73%	▲30%	Uncertainty about the future grew despite being support from online sales.
● Europe	▲57%	▲15%	Sales remained strong in countries such as Germany despite the lingering uncertainty about the future.
● Asia	▲48%	▲33%	A recovery trend remained despite stagnant sales from a reactionary fall from large orders received in the previous year.

## Restructuring of movement business

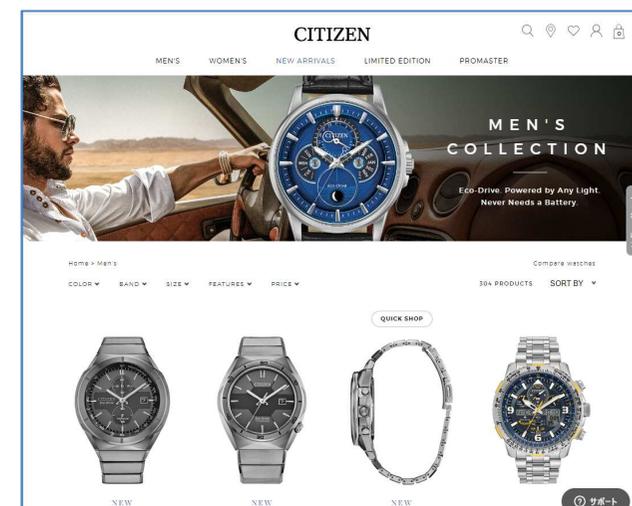
- Analog quartz movements  
Rationalize the production scale.
- Mechanical movements  
Implemented cost reduction through rationalization and automation of manufacturing to meet strong demand.

## Reinforced online sales

- Ratio of online sales by region  
China: 2Q slightly less than 70%  
North America: 2Q mid-20%  
Japan: mid-10%
- Received an award in the watch section of Newsweek Best Online Shops 2021 in the US.

\* Best Online Shops 2021

Newsweek of the US and Statista, a global data research company, ranked 1,000 online stores in the US in 39 categories.

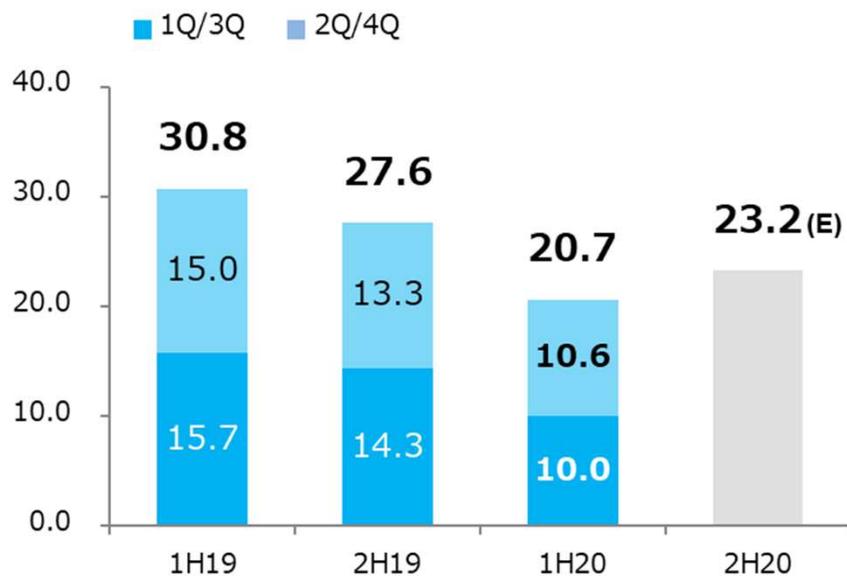


# Machine Tools (1H20 Result)

- Domestic market: Sales decreased due to a fall in overall demand for capital investment.
- Overseas market: Despite the continuing recovery of the Chinese market, sales decreased due to sluggish markets in Europe, the US, and other Asian countries.

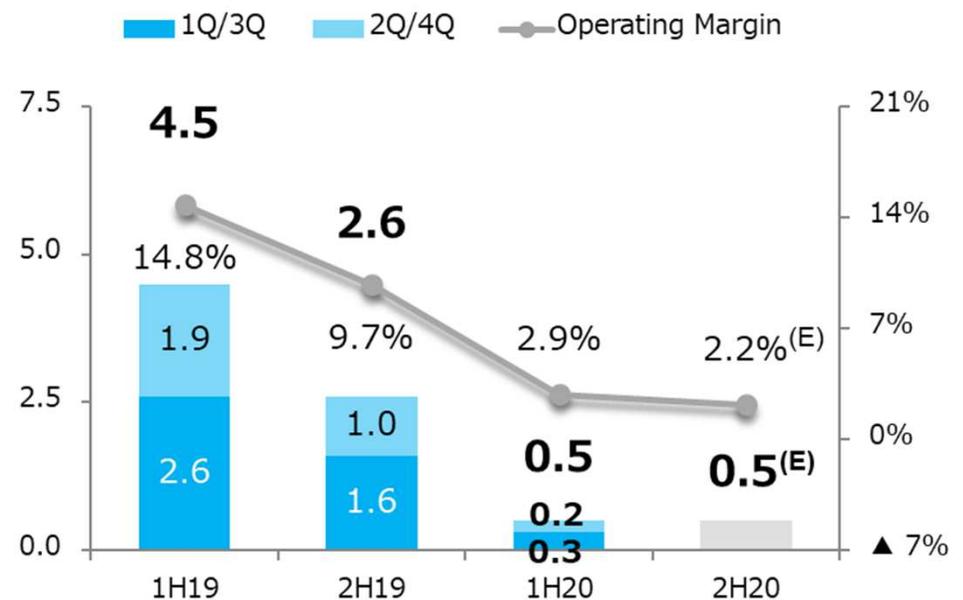
## Net sales

(billion yen)



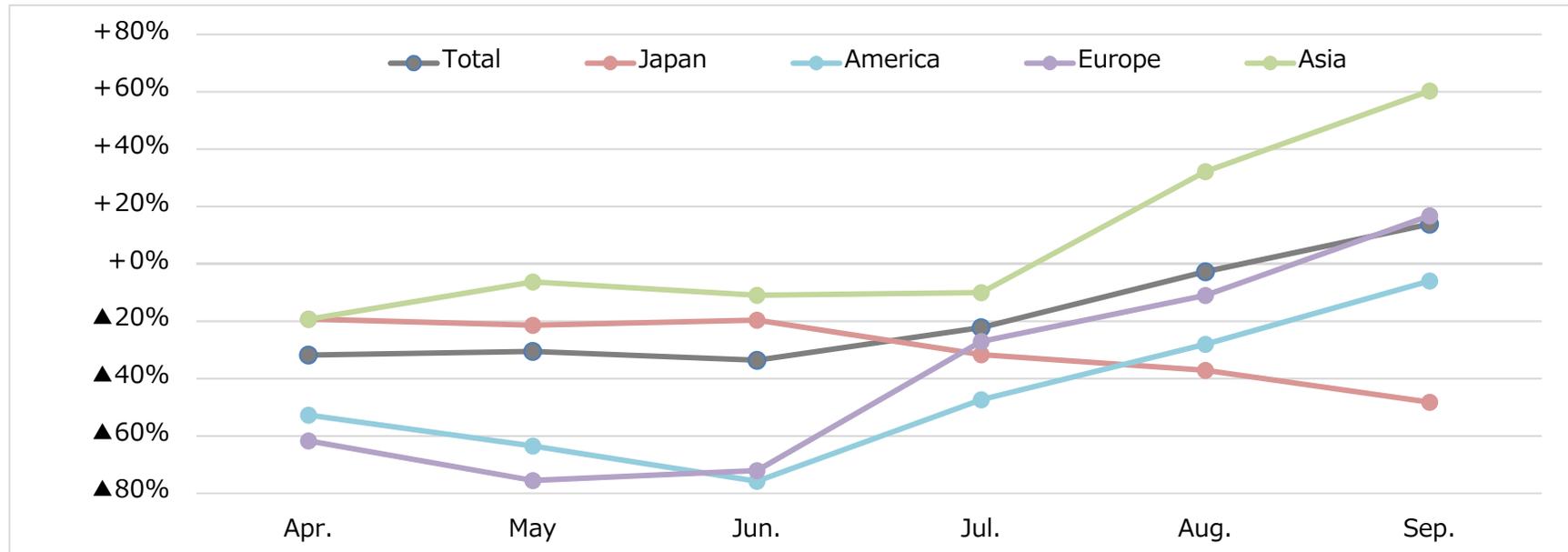
## Operating profit

(billion yen)



# Machine tools Changes in monthly orders received (units) CITIZEN

■ Year-on-year percent change (three-month moving average of the numbers of units in orders received)



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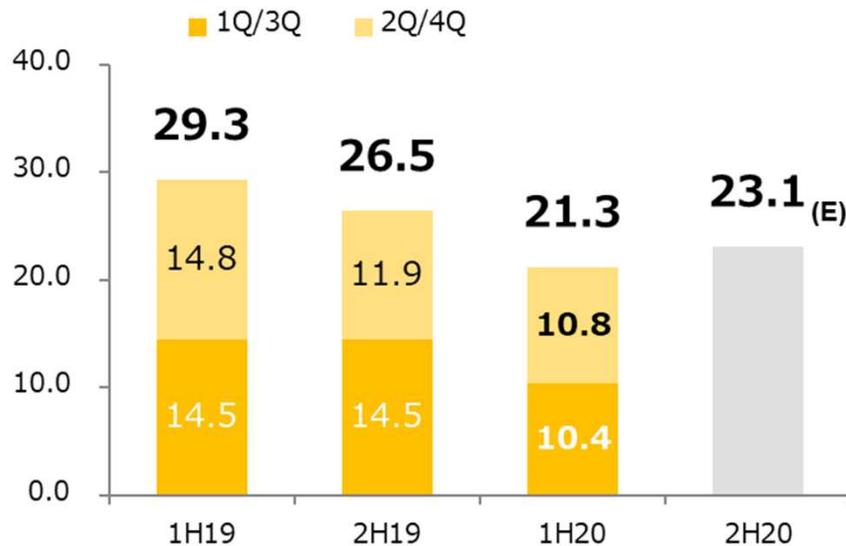
	1 Q	2 Q	
● Total	▲32%	▲5%	Sluggish in 1Q due to the spread of COVID-19. A recovery trend since 2Q.
● Japan	▲20%	▲39%	The cautious stance on capital investment remained despite some activity in automobile-related business.
● America	▲63%	▲26%	The extent of the decline has been decreasing since 2Q despite a sluggish medical market.
● Europe	▲70%	▲8%	In particular, the medical-related business has been strong since 2Q.
● Asia	▲13%	+24%	The IT-related business in particular saw steady growth in China.

# Devices and Components (1H20 Result)

- Precision machining components: Sales of auto parts for Europe and American are recovering despite the overall market decline. Sales of switches decreased due to sluggish sales for smartphones.
- Opto-devices: Sales decreased given low sales of LED products for lighting and automobiles.

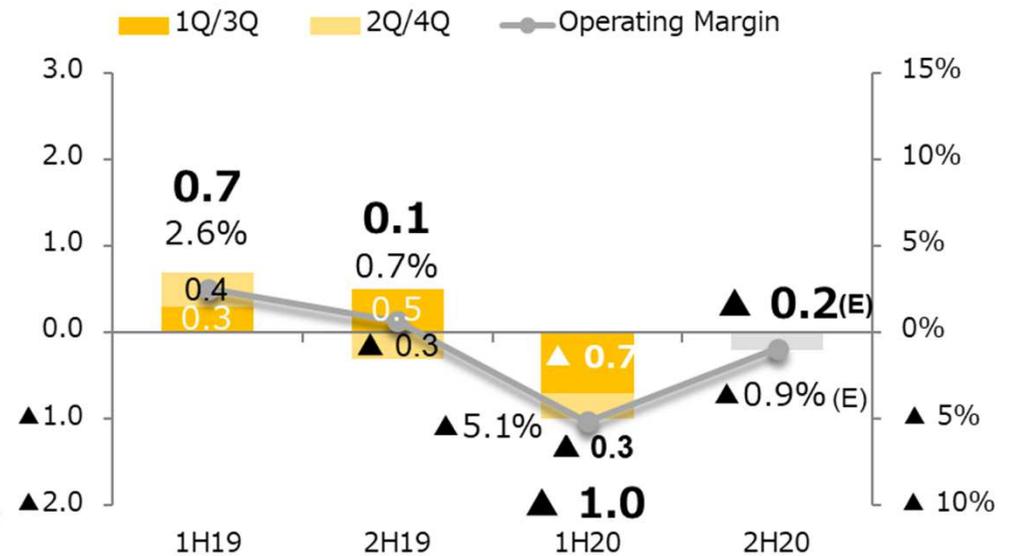
## Net sales

(billion yen)



## Operating profit

(billion yen)



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# Balance Sheet

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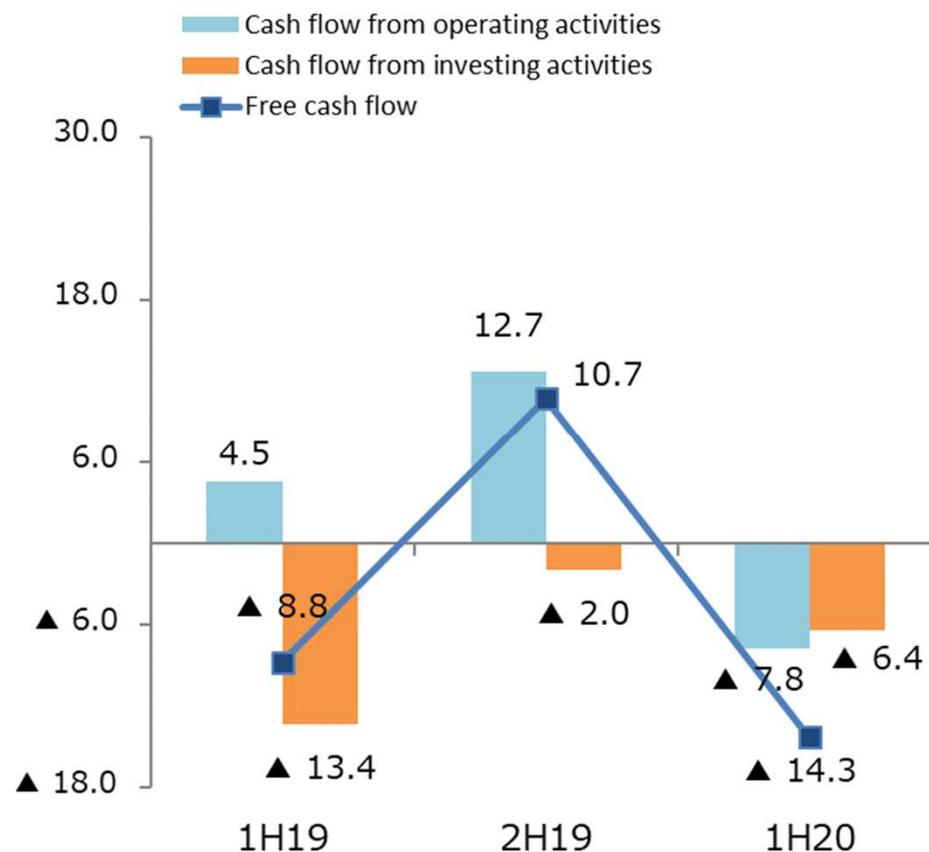
	March 31, 2020	September 30, 2020	Change from end of previous fiscal year		March 31, 2020	September 30, 2020	Change from end of previous fiscal year
(Unit: billion yen)				(Unit: billion yen)			
Current assets	235.6	247.6	+11.9	Liabilities	138.7	159.8	+21.0
Cash and deposits	80.1	99.6	+19.5	Interest-bearing debt	55.1	89.2	+34.1 ②
inventories	101.1	101.6	+0.4				
① Non-current assets	133.9	121.5	▲ 12.4	Net assets	230.7	209.3	▲ 21.4
Property, plant and equipment	78.5	77.2	▲ 1.2	Shareholders' equity	220.1	198.1	▲ 22.0
Investment securities	33.4	31.7	▲ 1.7	Foreign currency translation adjustment	▲ 1.0	▲ 1.6	▲ 0.5
Total assets	369.5	369.1	▲ 0.4	Total liabilities and net assets	369.5	369.1	▲ 0.4

① As a result of a careful examination of recoverability, deferred tax assets (non-current assets) was reversed.

② borrowed to ensure liquidity in hand

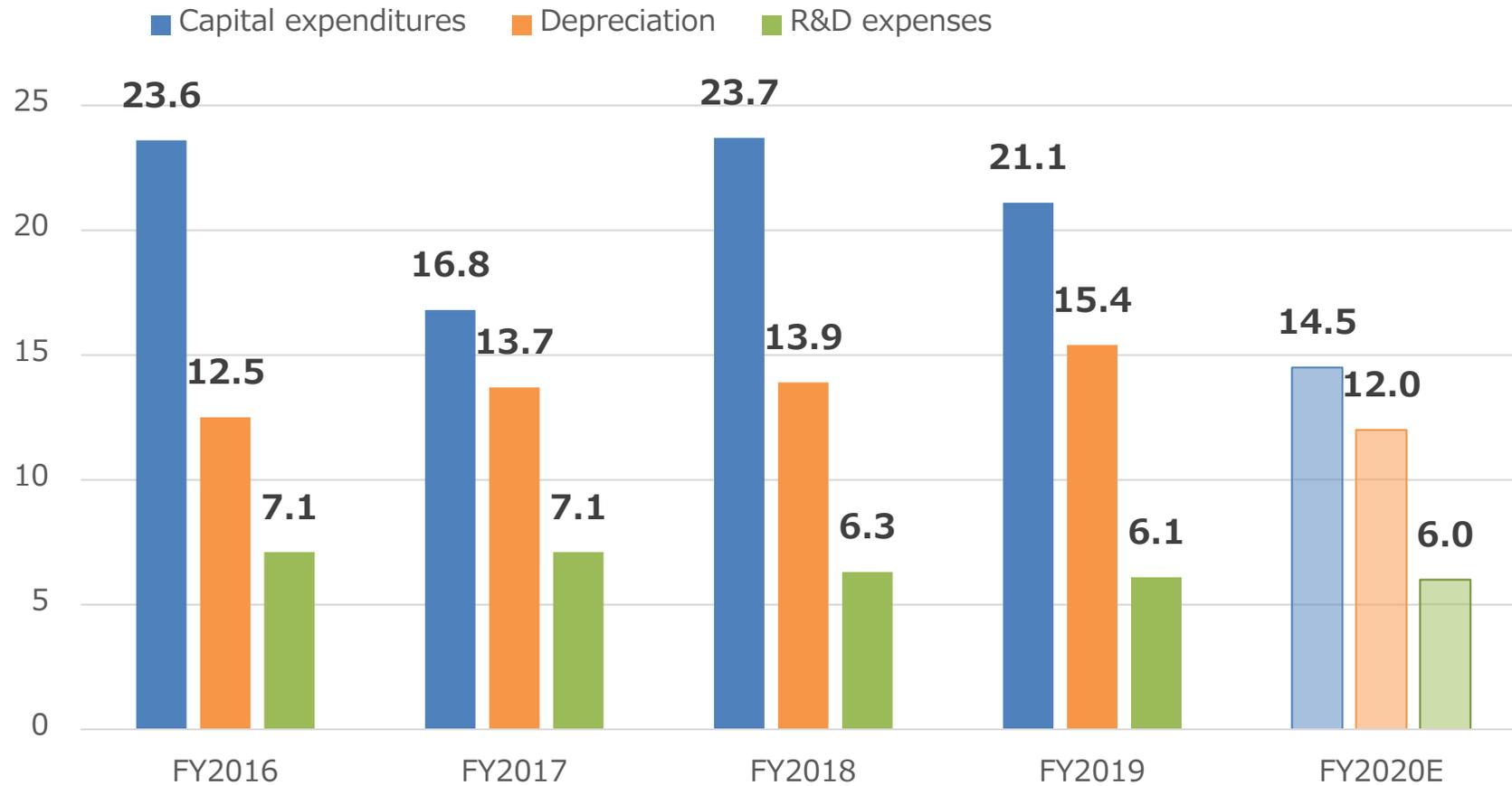
# Statement of Cash Flow

	1H19	1H20	YoY Change
(Unit: billion yen)			
<b>Cash flow from operating activities</b>	4.5	▲ 7.8	▲ 12.4
<b>Cash flow from investing activities</b>	▲ 13.4	▲ 6.4	+7.0
<b>Free cash flow</b>	▲ 8.8	▲ 14.3	▲ 5.4
<b>Cash flow from financial activities</b>	▲ 5.6	33.3	+39.0
<b>Balance of cash and cash equivalents</b>	68.6	97.6	+28.9



# Capital expenditures/ Depreciation/ R&D expenses CITIZEN

(billion yen)



- Capital investment was reduced to projects with high priority and high importance.  
Watches: Building systems for rationalization and automation of production.  
Machine Tools: Raising production capacity largely through the construction of a new factory in China.