

**CITIZEN**

# Earning Presentation

## for the Nine months ended December 31, 2021

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**CITIZEN WATCH CO., LTD.**

February 10, 2022

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 3Q of FY 2021

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## Financial Results for 1-3Q of FY 2021

- **Watches** : Sales were higher than expected, mainly in the North American market. (up 43 % year on year)
- **Machine Tools** : Progress in production exceeded expectations despite the difficulty of parts procurement, and sales reached a record high (up 85 % year on year)
- **Achieved operating income of 19.6 billion yen due to increased sales in the two main businesses**  
(up 25.7 billion yen year on year)

## FY 2021 Forecasts Revised upward

- Full-year forecasts have been revised upward, taking the results for the first nine months into consideration.
- **Net sales: 277.5 billion yen** (up 4.5 billion yen from previous forecast)  
**Operating profit: 18.5 billion yen** (up 1.3 billion yen from previous forecast)

# Financial Results for 1-3Q of FY 2021

**CITIZEN**

(Unit : billion yen)	FY2020	FY2021	YoY Change	
	1-3Q Result	1-3Q Result	Amount	%
Net sales	151.1	215.6	+64.4	+42.7%
Operating profit	▲ 6.0	19.6	+25.7	-
Operating margin	▲ 4.0%	9.1%	-	-
Ordinary Profit	▲ 2.6	22.3	+24.9	-
Profit attributable to owners of parent	▲ 21.9	17.1	+39.1	-
Exchange rate	¥106/USD ¥122/EUR	¥111/USD ¥131/EUR	-	-

# 1-3Q 21 Result by Business Segments

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	Net sales (Unit: billion yen)	FY2020 1-3Q Result	FY2021 1-3Q Result	YoY change	
				Amount	%
■ Watches		71.7	102.8	+31.1	+43.4%
■ Machine Tools		32.5	60.0	+27.5	+84.8%
■ Devices and Components		33.2	37.8	+4.6	+13.9%
■ Electronic and Other Products		13.5	14.7	+1.1	+8.7%
Consolidated Total		151.1	215.6	+64.4	+42.7%
Operating Profit (Unit: billion yen, %:operating margin)					
■ Watches		▲ 3.8 (▲5.3%)	10.3 (10.1%)	+14.2	-
■ Machine Tools		1.4 (4.6%)	9.4 (15.7%)	+7.9	+534.0%
■ Devices and Components		▲ 0.7 (▲2.3%)	2.1 (5.6%)	+2.8	-
■ Electronic and Other Products		0.1 (1.1%)	1.0 (7.2%)	+0.9	+603.9%
Eliminations or general corporate		▲ 3.1	▲ 3.3	▲ 0.2	-
Consolidated Total		▲ 6.0 (▲4.0%)	19.6 (9.1%)	+25.7	-

# Financial Results for 3Q(Oct.-Dec.) of FY 2021

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(Unit : billion yen)	FY2020	FY2021	YoY Change	
	3Q Result	3Q Result	Amount	%
Net sales	62.1	79.8	+17.7	+28.6%
Operating profit	2.1	8.9	+6.7	+308.6%
Operating margin	3.5%	11.2%	-	-
Ordinary Profit	3.4	10.2	+6.7	+192.7%
Profit attributable to owners of parent	▲ 0.4	7.3	+7.7	-
Exchange rate	¥105/USD ¥124/EUR	¥113/USD ¥130/EUR	-	-

# 3Q(Oct.-Dec.) 21 Result by Business Segments

# CITIZEN

	Net sales (Unit: billion yen)	FY2020 3Q Result	FY2021 3Q Result	YoY change	
				Amount	%
■ Watches		33.6	40.7	+7.1	+21.3%
■ Machine Tools		11.7	21.7	+10.0	+85.0%
■ Devices and Components		11.9	12.3	+0.4	+3.4%
■ Electronic and Other Products		4.7	4.9	+0.1	+3.7%
Consolidated Total		62.1	79.8	+17.7	+28.6%
Operating Profit (Unit: billion yen, %:operating margin)					
■ Watches		1.5 (4.6%)	5.5 (13.6%)	+4.0	+257.0%
■ Machine Tools		0.8 (7.6%)	3.5 (16.2%)	+2.6	+294.8%
■ Devices and Components		0.3 (2.8%)	0.5 (4.8%)	+0.2	+76.0%
■ Electronic and Other Products		0.3 (7.0%)	0.3 (6.4%)	▲ 0.0	▲ 5.5%
Eliminations or general corporate		▲ 0.9	▲ 1.0	▲ 0.1	-
Consolidated Total		2.1 (3.5%)	8.9 (11.2%)	+6.7	+308.6%

# Watches (3Q21 Result)

## < Watch sales >

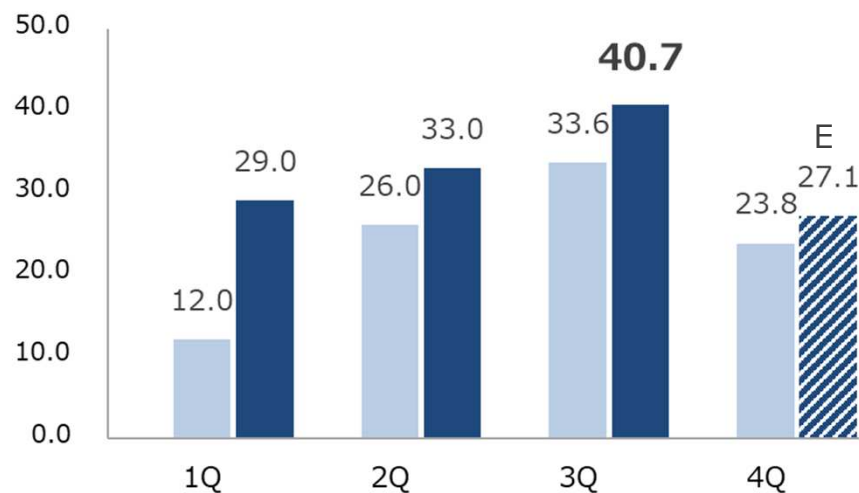
- Overseas market: Strong sales in North America continued to contribute to results, while the business remained steady in Europe and China.
- Domestic market: Consumption activities increased moderately, reflecting a recovery in the flow of people.

## < Movement sales >

- Sales of mechanical movements remained strong. Sales of multi-hand watches among analog quartz watches increased.

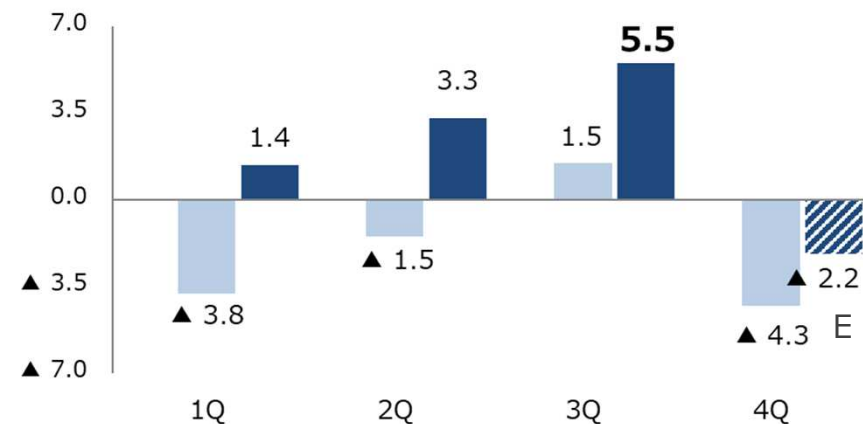
### Net sales

(billion yen)    ■ FY2020    ■ FY2021



### Operating profit

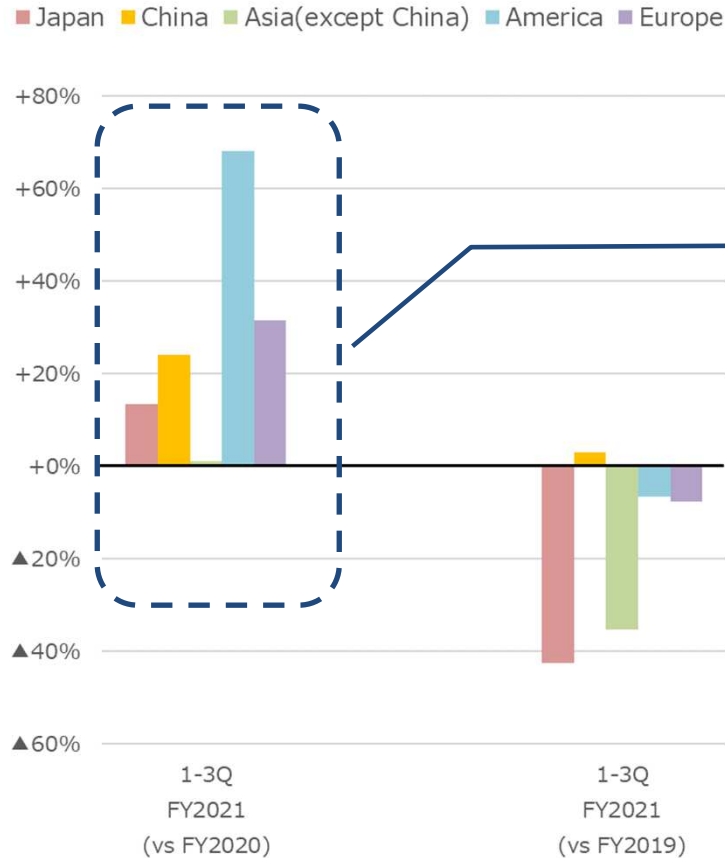
(billion yen)    ■ FY2020    ■ FY2021





# Watches Net sales growth rate by region

- Rate of change year on year and from the same period the year before last



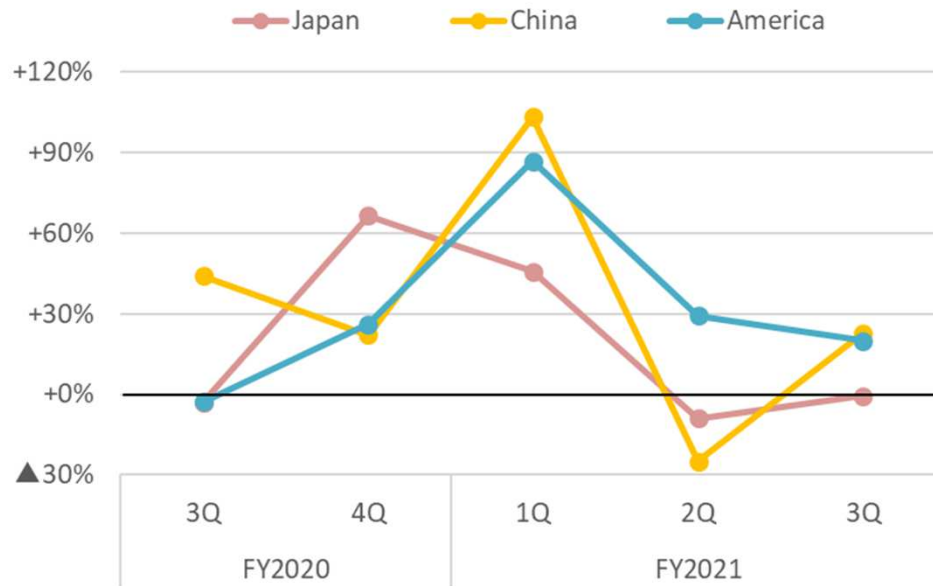
Rate of change year on year (3Q of FY2020)

Sales continued to recover despite differences among regions linked to their resumption of economic activities.

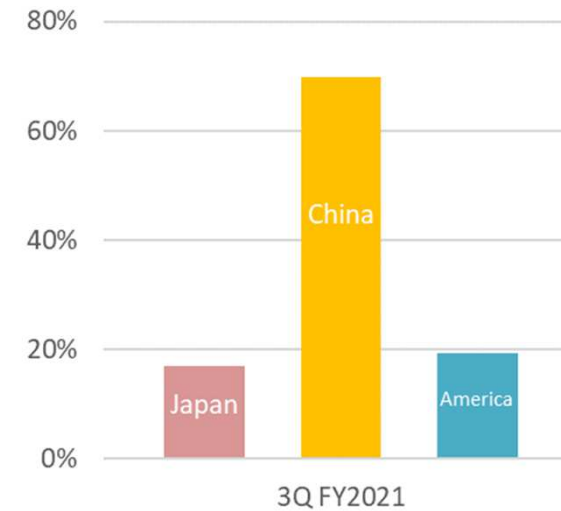
- Japan: Sales picked up gradually thanks to a recovery in the flow of people.
- China: Sales continued to be firm online and at physical stores despite a fall in business confidence.
- Asia (except China): Sales remained on a path toward a moderate recovery.
- America: Sales continued to be strong thanks to a recovery in sales on the internet and at physical stores.
- Europe: Sales recovered in major regions, reflecting the resumption of economic activities.

\* The rate of change in total sales of CITIZEN brand watches and BULOVA brand watches only for North America. For other regions, the rate of change only in sales of CITIZEN brand watches.  
 \* Other Asian regions are the Asian regions excluding China.  
 \* Rate of change based on local currency

## ■ Online sales Rate of change year on year



## ■ Percentage of sales from online sales



## ■ 3Q Online sales Rate of change year on year

- **Japan**      ▲1%      The recovery in consumer confidence was limited after the resumption of economic activities, although sales of limited edition products remained firm.
- **China**      +23%      Sales remained strong mainly in collaboration models.
- **America**      +20%      Enhanced online sales activities contributed to continuous strong sales at direct sales outlets, particularly of limited edition products. Existing online sales channels also grew.

\* Change is of the CITIZEN brand only in Japan and China Regarding North America, the change is of the CITIZEN brand and the BULOVA brand combined

\* Both change and percentage of sales from online sales are on a local-currency basis.

## Recovery of the North American market

- Sales of high unit price products are growing, and the average unit price has increased by more than 20% since FY2018.
- EC sales are growing. In particular, limited edition products that cannot be purchased through other distributors are popular through direct EC sales.
- Physical stores, including jewelry chains and department store distributors, are also performing well in line with the recovery in consumer activity.

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### BULOVA



## The Daichi Collection of CITIZEN xC

- The Daichi Collection of CITIZEN xC featuring the concept of wide open spaces extending into the future was released in October 2021.
- Recommended retail price:  
88,000 yen - 91,300 yen (excluding tax: 80,000 yen to 83,000 yen)



## Campanola Cosmosign 20th anniversary

- The limited edition models of Campanola's Cosmosign, a popular series featuring an indication of displays of the movement of celestial bodies were released in October 2021 through the Citizen Flagship Stores and the Citizen Premium Doors.
- Recommended retail price: 330,000 yen (excluding tax: 300,000 yen)
- 100 units only



## Release of The CITIZEN's Iconic Nature Collection

- Four models of The CITIZEN's Iconic Nature Collection, which incorporate highly accurate solar power-based eco-drive movements that have a variation of +/- 5 seconds per year and feature *Tosa washi*-based watch dials with beautiful gradation design, are scheduled to be released in February 2022.
- Recommended retail price: 385,000 yen for each model (excluding tax: 350,000 yen)
- 250 units only for each of 4 models



## 35th anniversary of the CITIZEN ATTESA since its launch

- As the first step to celebrate the 35 anniversary of the CITIZEN ATTESA, 2 models featuring a collaboration with Nissan Motor's Z sports car (Fairlady Z) are scheduled to be released in March 2022.
- Recommended retail price: 165,000 yen (excluding tax: 150,000 yen)
- 1,700 units only for each of 2 model

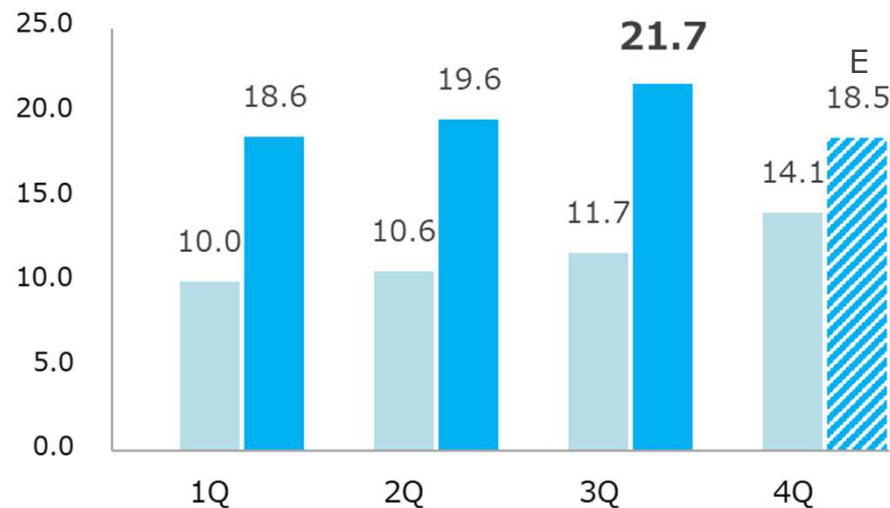


- Domestic market: Sales increased, reflecting strong demand from a wide range of industries such as semiconductors, construction equipment, and housing facilities.
- Overseas market: Sales increased in Europe due to robust demand for capital investment. Sales continued to be strong in China as well.

## Net sales

(billion yen)

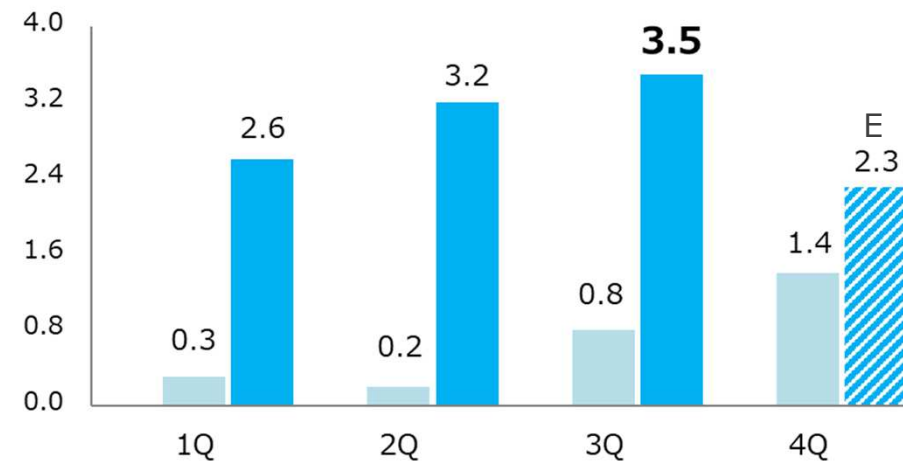
■ FY2020 ■ FY2021



## Operating profit

(billion yen)

■ FY2020 ■ FY2021

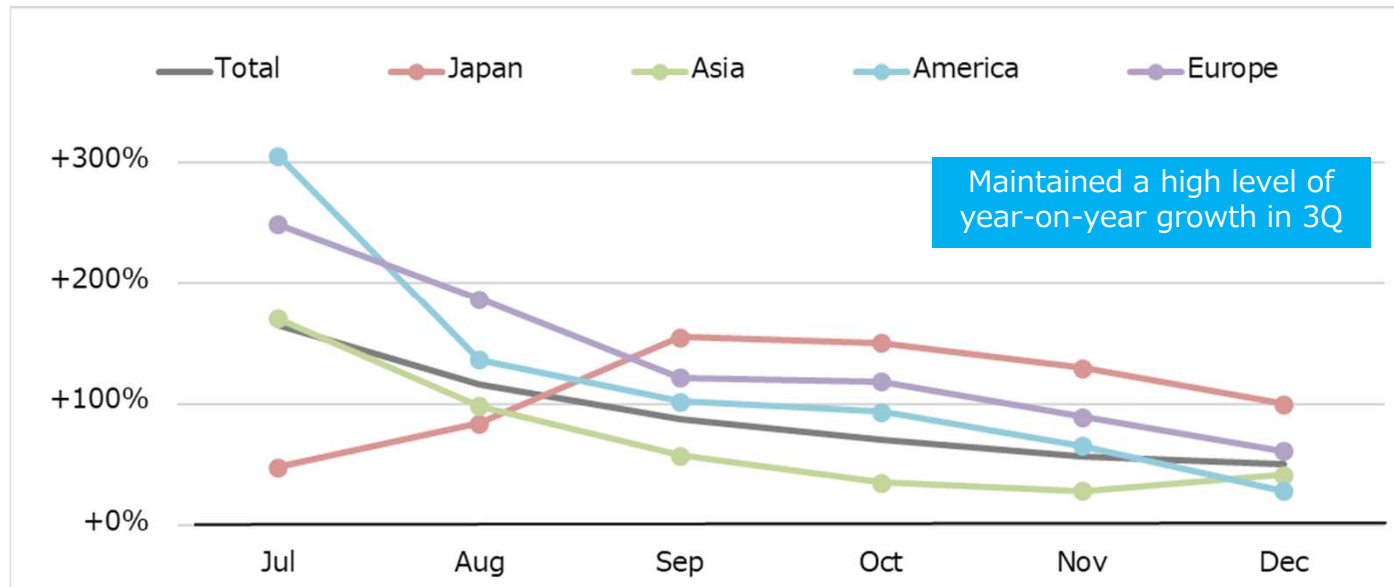




# Machine Tools

## Changes in monthly orders received (units)

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



- Rate of change year on year (Quarterly number of units in orders received)

● Total	+50%	Orders received remained at a high level, reflecting the resumption of economic activities despite a slowdown in comparison with the level in the first six months
● Japan	+100%	Orders received remained strong overall, including those associated with semiconductors and construction equipment while those related to automobiles were declining due to the impact of reductions in production.
● Asia	+42%	Orders received remained strong overall, including those related to medical products, automobiles and smartphones.
● America	+28%	Active capital investment particularly in medical-service related industries continued.
● Europe	+61%	Demand continued to be strong across wide areas including Germany, the United Kingdom and Italy.

## Construction of a new building near Citizen Machinery's Karuizawa plant (precision machining plant)

- Citizen Machinery has been taking steps to bolster production capacity, such as the construction of a new plant in China and the expansion of the Thai plant, step by step. The production capacity of main machines at its plants is expected to rise 40% from the current level in 2023.
- In line with its enhanced production capacity, the company will construct a new precision machining plant on a site adjacent to its current plant to secure the production of core components including spindles, thereby enhancing production capacity of core products by 60%.
- The new precision machining plant will facilitate automation and labor-saving by utilizing robots and AGV (automatic guided vehicles) while also seeking to create a sustainable factory to contribute to society and the environment.



Back on the left: Citizen Machinery's Karuizawa plant Front on the right: Precision machining plant

- Overview of the precision machining plant

Location: 4107-6 Miyota, Miyota-machi, Kitasaku-gun, Nagano  
(East side of the headquarters' premise)

Building area: 4,100m<sup>2</sup>, Start of construction: April 2022 (plan), Completion: March 2023 (plan)



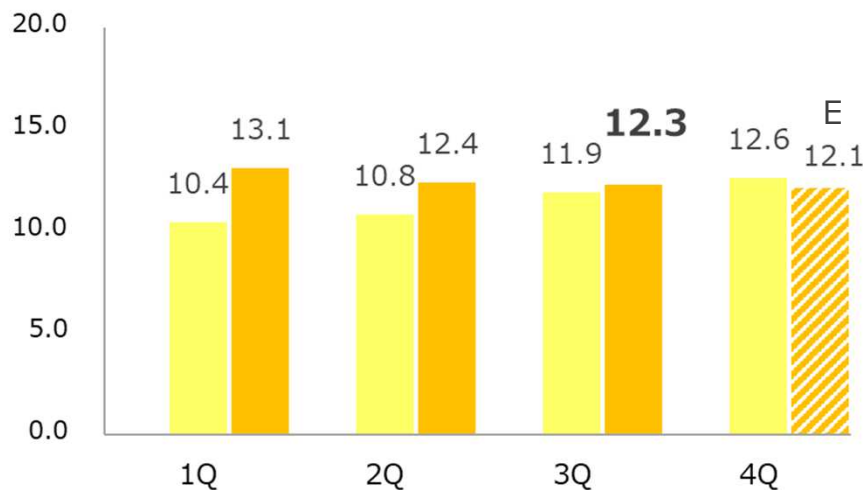
# Devices and Components (3Q21 Result)

- Precision machining components:
  - Sales of automotive parts decreased due to the impact of production reductions by car manufacturers, etc.
  - Sales of switches decreased, but recovered from 2Q
- Opto-devices: Sales of LEDs for lighting and in-vehicle LEDs recovered but those of LEDs for general applications remained sluggish.
- Other products: Sales of quartz devices and small motors remained strong.

## Net sales

(billion yen)

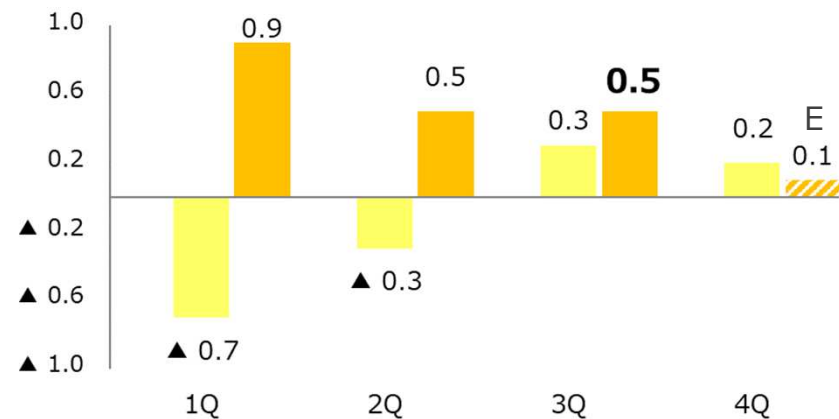
■ FY2020 ■ FY2021



## Operating profit

(billion yen)

■ FY2020 ■ FY2021



## FY2021 Forecasts for 2H and the Full-Year

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# FY2021 Forecasts for 2H and the Full-Year

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(Unit: billion yen)	FY2021 Forecast (11/11)		FY2021 Forecast (2/10)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
	Net sales	137.3	273.0	141.8	277.5	+4.5
Operating profit	6.5	17.2	7.8	18.5	+1.3	+1.3
Operating margin	4.7%	6.3%	5.5%	6.7%	–	–
Ordinary Profit	7.0	19.0	8.4	20.5	+1.5	+1.5
Profit attributable to owners of parent	4.6	14.5	5.6	15.5	+1.0	+1.0
Exchange rate	¥110/USD ¥125/EUR	¥110/USD ¥128/EUR	¥112/USD ¥128/EUR	¥111/USD ¥129/EUR	–	–

# FY2021 Forecast by Business Segment

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Net sales (Unit: billion yen)	FY2021 Forecast (11/11E)		FY2021 Forecast (2/10E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
 Watches	67.0	129.0	67.9	130.0	+1.0	+1.0
 Machine Tools	36.0	74.4	40.3	78.6	+4.2	+4.2
 Devices and Components	25.1	50.7	24.4	50.0	▲ 0.7	▲ 0.7
 Electronic Products and Others	9.0	18.9	9.0	18.9	+0.0	▲ 0.0
Consolidated Total	137.3	273.0	141.8	277.5	+4.5	+4.5
 Watches	2.8 (4.2%)	7.6 (5.9%)	3.2 (4.8%)	8.1 (6.2%)	+0.5	+0.5
 Machine Tools	5.0 (13.9%)	10.9 (14.7%)	5.9 (14.7%)	11.8 (15.0%)	+0.9	+0.9
 Devices and Components	0.8 (3.2%)	2.3 (4.6%)	0.7 (3.0%)	2.2 (4.5%)	▲ 0.1	▲ 0.1
 Electronic Products and Others	0.3 (3.9%)	1.1 (5.8%)	0.3 (3.9%)	1.1 (5.8%)	+0.0	+0.0
Eliminations or general corporate	▲ 2.4	▲ 4.7	▲ 2.4	▲ 4.7	+0.0	+0.0
Consolidated Total	6.5 (4.7%)	17.2 (6.3%)	7.8 (5.5%)	18.5 (6.7%)	+1.3	+1.3

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# Operating performance by segment for 3Q of FY2021(Compared to FY2019)

Net sales (Unit: billion yen)	FY2019 1-3Q Result	FY2021 1-3Q Result	Change	
			Amount	%
■ Watches	118.3	102.8	▲ 15.4	▲13.1%
■ Machine Tools	45.1	60.0	+14.8	+33.0%
■ Devices and Components	43.9	37.8	▲ 6.0	▲13.8%
■ Electronic and Other Products	17.4	14.7	▲ 2.6	▲15.4%
Consolidated Total	224.9	215.6	▲ 9.3	▲4.1%
Operating Profit (Unit: billion yen, %:operating margin)				
■ Watches	8.2 (7.0%)	10.3 (10.1%)	+2.1	+25.4%
■ Machine Tools	6.2 (13.8%)	9.4 (15.7%)	+3.1	+51.1%
■ Devices and Components	1.2 (2.9%)	2.1 (5.6%)	+0.8	+64.2%
■ Electronic and Other Products	0.0 (0.1%)	1.0 (7.2%)	+1.0	-
Eliminations or general corporate	▲ 4.5	▲ 3.3	+1.2	-
Consolidated Total	11.2 (5.0%)	19.6 (9.1%)	+8.4	+74.9%

- Compared to pre-Corona (FY2019), sales recovered to a similar level and operating profit grew significantly
- Operating income in all segments exceeded pre-Corona level