

CITIZEN

Earning Presentation
for the Nine months ended December 31, 2021

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

My name is Toshiyuki Furukawa, in charge of the Public & Investor Relations Department. I will provide an explanation on the financial results for the third quarter of fiscal 2021.

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)

Let me start with key points for the results for the first nine months of the fiscal year. In the Watches segment, net sales increased 43% year on year, reflecting continued strong sales mainly in North America.

In the Machine Tools segment, net sales reached a record high with a year-on-year increase of 85% as the progress in production exceeded expectations, despite the delay that occurred to parts procurement.

As a result of increased net sales in the two main segments, operating profit rose sharply to JPY 19.6 billion, an increase of JPY 25.7 billion year on year. In addition, taking into consideration an upswing in the results for the first nine months, the full-year earnings forecasts for the fiscal 2021 have been revised. Net sales outperformed the previous forecast by JPY 4.5 billion to achieve JPY 277.5 billion, and operating profit was JPY 1.3 billion beyond the forecast, to reach JPY 18.5 billion.

Financial Results for 1-3Q of FY 2021

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(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	-	-

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In terms of consolidated financial results for the first nine months, net sales increased 42.7% year on year, to JPY 215.6 billion. Operating profit rose JPY 25.7 billion to JPY 19.6 billion with an operating margin of 9.1%.

Ordinary profit increased JPY 24.9 billion year on year, to JPY 22.3 billion and profit attributable to owners of parent rose JPY 39.1 billion year on year, to JPY 17.1 billion, respectively.

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	-

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With regard to results by segment, the Watches segment and the Machine Tools segment posted increases in net sales by 43% and 85%, respectively. Driven by such increases in the two main segments, total consolidated net sales climbed 43% year on year, and operating profit increased JPY 25.7 billion. In addition, both net sales and profit increased in all segments.

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

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(Unit : billion yen)	FY2020 3Q Result	FY2021 3Q Result	YoY Change	
			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	-	-

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I will now explain the financial results and provide a business review for the third quarter.

Net sales rose 28.6% year on year, to JPY 79.8 billion.

Operating profit rose JPY 6.7 billion year on year, to JPY 8.9 billion with an operating margin of 11.2%.

Ordinary profit increased JPY 6.7 billion year on year, to JPY 10.2 billion and profit attributable to owners of parent rose JPY 7.7 billion year on year, to JPY 7.3 billion.

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

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	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%

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Looking at each segment, the Watches segment posted a 21.3% increase in net sales and a JPY 4.0 billion increase in operating profit. The Machine Tools segment posted an 85.0% increase in net sales and JPY 2.6 billion increase in operating profit. The Devices and Components segment posted a 3.4% increase in net sales and a JPY 0.2 billion increase in operating profit. The Electronic and Other Products segment posted a 3.7% increase in net sales.

Watches (3Q21 Result)

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< Watch sales >

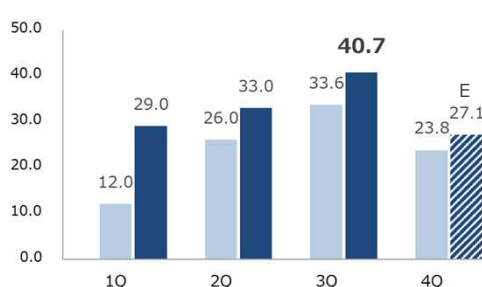
- Overseas market: Strong sales in North America continued to contribute to results, while the business remained steady in Europe and China.
- Domestic market: Consumption activities increased moderately, reflecting a recovery in the flow of people.

< Movement sales >

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

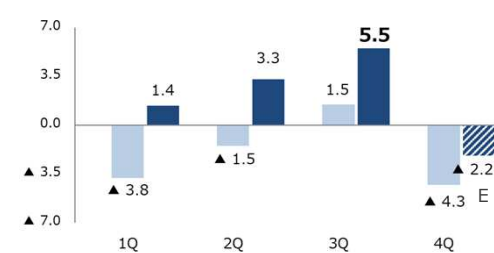
Net sales

(billion yen) ■ FY2020 ■ FY2021



Operating profit

(billion yen) ■ FY2020 ■ FY2021



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I will now give an overview of business by segment.

First, in the Watches segment, net sales for the third quarter of the year is JPY 40.7 billion, up 21.3% year on year, beating expectations.

Sales of watches contributed to overall results, aided by continued strong consumer spending in North America. In addition, sales remained solid in Europe and China despite concerns over the impact of COVID-19.

As for the domestic market, sales increased year on year because consumption started to rise around November, reflecting a recovery in the flow of people. However, the recovery in sales was moderate.

Regarding sales of movements, sales of mechanical movements and high value-added quartz movements including multi-hand watches continued to grow.

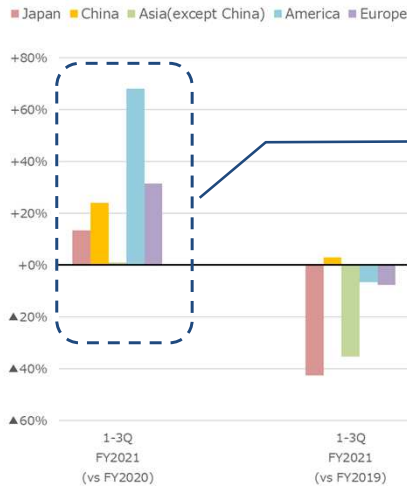
Operating profit rose JPY 4.0 billion year on year, to JPY 5.5 billion, mainly reflecting a rise in sales as well as the improved operation rate of production due to increased sales.

Net sales for the fourth quarter are expected to be JPY 27.1 billion, reflecting an expected decline mainly in domestic sales due to the impact of the spread of Omicron.

Watches Net sales growth rate by region

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- 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

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This slide shows changes in sales by region from the first nine months in fiscal 2020 and those in 2019.

The bar chart on the left is a comparison with fiscal 2020.

Domestic sales, which are indicated as the red bar, recovered slightly higher than 10% year on year.

Sales in China, indicated in yellow, increased year on year despite a fall in business confidence. Sales edged up in other Asian regions.

In North America, shown in light blue, the year-on-year growth rate was higher than 60%, reflecting a continued recovery in sales at department stores, jewelry chains, and other physical stores, as well as online sales.

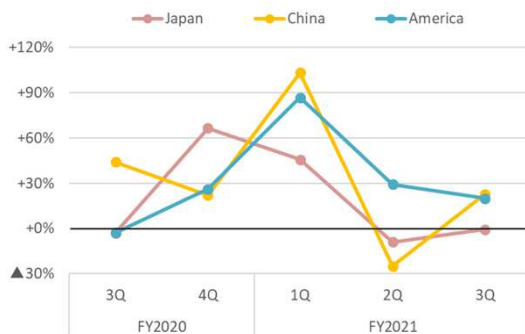
The purple bar shows Europe. Sales remained on a recovery trend in major countries despite the impact of Omicron.

The bar chart on the right is a year-on-year comparison with fiscal 2019. Sales, while recovering slowly in Japan and other Asian regions, rose to levels in 2019 in China, North America and Europe.

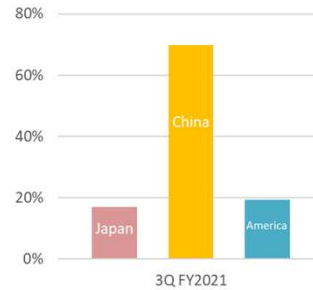
Watches Online sales

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■ 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.

This slide shows year-on-year changes in online sales in major three regions.

For the third quarter, online sales remained at the year-ago level in Japan despite the strong performance of limited edition products such as the mainstay xC branded items. In contrast, sales rose year on year not only in North America but China where efforts were focused on the promotion of collaboration models.

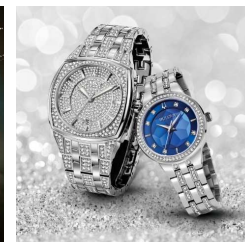
Recovery of the North American market

- 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



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I will share more information in the mainstay North American market. Both sell-ins and sell-throughs remained strong in the 2021 holiday season. The inventory of major distribution channels at the end of the year declined year on year, remaining at a reasonable level.

On top of that, sales of products with high unit prices were strong, with their average unit prices increasing more than 20% from the level in fiscal 2018.

Efforts were made to facilitate direct online sales. In addition, sales at jewelry chains and department stores, which are main distribution channels, grew significantly.

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



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Here, I will share some topics about the Watches segment and introduce new products that were released in the third quarter.

The Daichi Collection was included as a new collection in the mainstay CITIZEN xC branded watches. The product is earning a strong reputation thanks to its notable design, including the placement of a small window for the Sun & Moon function in which the movement of the sun and moon is used as a motif.

Regarding the Campanola watch, 100 pieces of the limited edition model were released to mark the 20th anniversary of its Cosmosign. They have already sold out.

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



The main products that will be released in the fourth quarter include four models of the Iconic Nature Collection of The CITIZEN, the top-of-the-range Citizen brand watch, featuring Tosa washi-based watch dials, which will be released in late February. Also, as the first step to celebrate the 35th anniversary of the CITIZEN ATTESA, two models featuring a collaboration with Nissan Fairlady Z will be released in March.

Machine Tools (3Q21 Result)

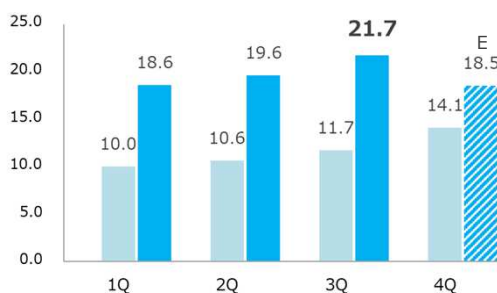
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- Domestic market: Sales increased, reflecting strong demand from a wide range of industries such as semiconductors, construction equipment, and housing facilities.
- Overseas market: Sales increased in Europe due to robust demand for capital investment.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

Net sales

(billion yen)

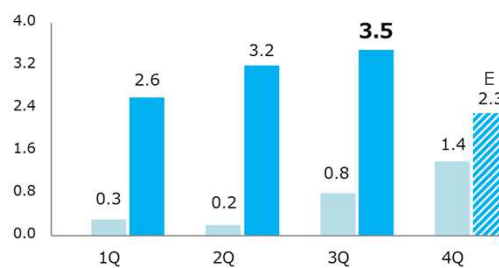
■ FY2020 ■ FY2021



Operating profit

(billion yen)

■ FY2020 ■ FY2021



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Now, I will provide an overview of the business results in the Machine Tools business.

Net sales in the third quarter increased 85% year on year, to JPY 21.7 billion. Operating profit rose JPY 2.6 billion year on year, to JPY 3.5 billion.

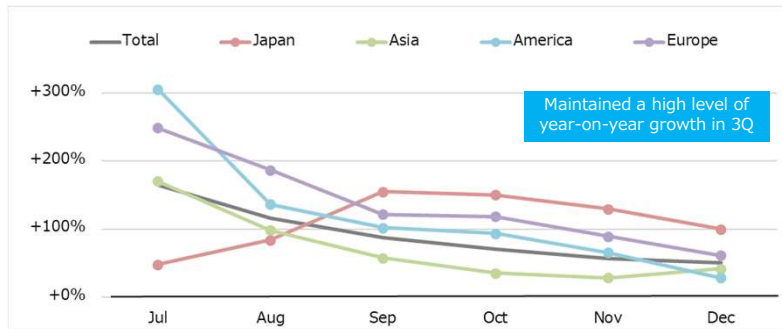
The result exceeded the forecast significantly as production and shipments outperformed expectations, despite the delayed procurement of parts. In particular, sales to Europe and China grew.

Looking at the fourth quarter, although order backlogs are rising, concern about the difficulty of parts procurement continues to grow. Therefore, no significant revisions have not been made to net sales and operating profit, which are expected to be JPY 18.5 billion and JPY 2.3 billion, respectively.

Machine Tools Changes in monthly orders received (units)

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- 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.

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The line graph, which reflects the status of orders received by region, shows the three-month moving average of orders received and changes in such orders year on year.

Bullet points below the graph show the growth rate of orders in the third quarter compared to the same period of the previous year.

Orders, the recovery of which had been slow in Japan compared to overseas, increased 100% year on year overall including those associated with semiconductors and construction machinery. Asia, including China, recorded a year-on-year rise of 42%, reflecting strong demand related to medical equipment, automobiles and smartphones, among other products. The Americas saw a year-on-year increase of 28%, reflecting consistently active capital expenditure mainly for products related to medical equipment. Europe registered a year-on-increase of 61%, reflecting strong orders received across a broad area including Germany, the United Kingdom and Italy. The overall orders in units increased 50% year on year, reflecting the high level of orders that continued to be received.

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: 4,100m², Start of construction: April 2022 (plan), Completion: March 2023 (plan)

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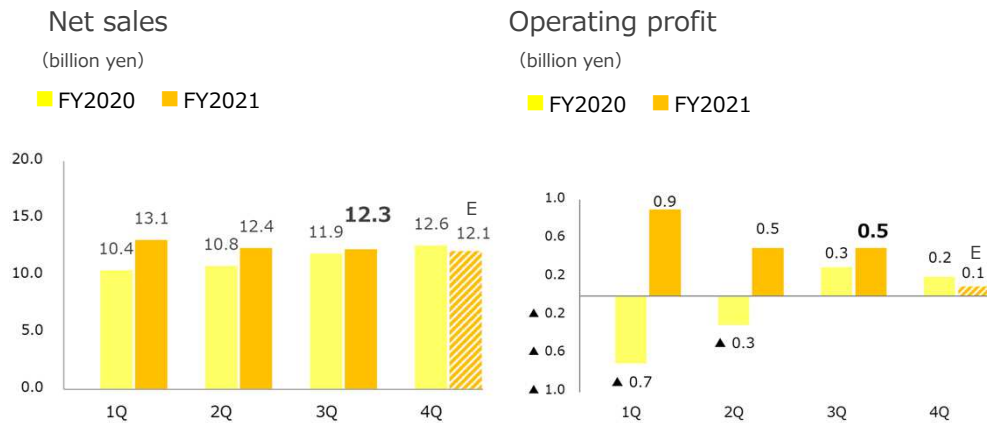
In the Machine Tools segment, Citizen Machinery will begin building a new plant on a site adjacent to its current Karuizawa plant in April 2022 to enhance the production capacity of core products such as spindles. The plant is scheduled to be completed in March 2023. Efforts will be made to facilitate automation and labor-saving by utilizing robots and automatic guided vehicles, among other technologies, while also aiming to create an environmentally conscious factory.

Citizen Machinery has been taking a range of measures to bolster production capacity such as the construction of a new plant in China last year and the expansion of the Thai plant that it is working on currently. The production capacity of main machines at its plants is expected to rise 40% from the current level in 2023.

Devices and Components (3Q21 Result)

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- 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.



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Now, I will move on to the Devices and Components segment

Net sales for the third quarter of the year were JPY 12.3 billion, a year-on-year increase of 3.4%. Operating profit also rose to JPY 0.5 billion, up JPY 2.0 billion year on year.

The results were almost as expected from the perspective of the Devices and Components segment as a whole.

Sales of automotive parts among precision machining components fell slightly below the forecast due to the impact of production reductions by car manufacturers. On the other hand, sales of switches, which were lower than the year-ago level, recovered from the second quarter, achieving profitability.

Sales of LEDs for lighting and in-vehicle LEDs among opto-devices recovered but those of LEDs for general applications remained flat due to sluggish sales.

In other components, sales of quartz devices increased mainly due to continued demand for communication-related applications. Small motors also performed well.

With respect to the forecast for the fourth quarter, net sales and operating profit are expected to be JPY 12.1 billion and JPY 0.1 billion, respectively, factoring in a downturn in products such chip LEDs, although automotive parts are recovering.

FY2021 Forecasts for 2H and the Full-Year

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	+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	-	-

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Finally, I will provide details with respect to the full-year consolidated earnings forecasts that have been revised upward. Net sales are expected to outperform the previous forecast by JPY 4.5 billion to achieve JPY 277.5 billion. Operating profit will rise JPY 1.3 billion, to JPY 18.5 billion, with an operating margin of 6.7%. Ordinary profit will increase JPY 1.5 billion, to JPY 20.5 billion. Profit attributable to owners of parent is expected to come to JPY 15.5 billion, up JPY 1.0 billion.

Exchange rates for the fourth quarter remain unchanged from the previous forecasts at 110 yen to the U.S. dollar and 125 yen to the euro.

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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This slide is a breakdown by segment. What I explained earlier shows an update of business conditions by segment.

That concludes my presentation.

Thank you very much.

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

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Net sales (Unit: billion yen)	FY2019	FY2021	Change	
	1-3Q Result	1-3Q Result	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