

CITIZEN



Earning Presentation

for the Year ended March 31, 2021

CITIZEN WATCH CO., LTD.

May 12, 2022

Financial Results for FY 2021



Key Notes

Full-year financial results for FY2021

- Net sales increased 36% year on year, to 281.4 billion yen, thanks to the recovery of the Watches segment and Machine Tools segment.
Watches 131.0 billion yen (increased 37% year on year)
Machine Tools 81.0 billion yen (increased 73% year on year) record high
- Operating profit rose 31.8 billion yen year on year, to 2.22 billion yen
- Net income reached a record high of 22.1 billion yen
(increased 47.3 billion yen year on year)

Financial Results for 4Q(Jan.-Mar.) of FY 2021

- Operating profit grew 6.1 billion yen, to 2.6 billion yen, as result of sales growth in the Watches segment and Machine Tools segment.

Financial Results for FY 2021

(Unit : billion yen)	FY2020	FY2021	YoY Change	
	Result	Result	Amount	%
Net sales	206.6	281.4	+74.7	+ 36.2%
Operating profit	▲ 9.5	22.2	+31.8	-
Operating margin	▲4.6%	7.9%	-	-
Ordinary Profit	▲ 4.1	27.3	+31.4	-
Profit attributable to owners of parent	▲ 25.1	22.1	+47.3	-
Exchange rate	¥106/USD ¥123/EUR	¥112/USD ¥130/EUR	-	-

Financial results by Business Segments

	Net sales (Unit: billion yen)	FY2020 Result	FY2021 Result	YoY change	
				Amount	%
■ Watches		95.6	131.0	+35.4	+37.1%
■ Machine Tools		46.7	81.0	+34.3	+73.4%
■ Devices and Components		45.9	50.0	+4.1	+9.0%
■ Electronic and Other Products		18.3	19.2	+0.8	+4.9%
Consolidated Total		206.6	281.4	+74.7	+36.2%
Operating Profit (Unit: billion yen, %:operating margin)					
■ Watches		▲ 8.1 (▲8.6%)	10.3 (7.9%)	+18.4	-
■ Machine Tools		2.9 (6.3%)	12.5 (15.5%)	+9.6	+328.9%
■ Devices and Components		▲ 0.4 (▲1.1%)	2.8 (5.7%)	+3.3	-
■ Electronic and Other Products		0.3 (2.1%)	1.1 (6.1%)	+0.7	+197.5%
Eliminations or general corporate		▲ 4.1	▲ 4.6	▲ 0.4	-
Consolidated Total		▲ 9.5 (▲4.6%)	22.2 (7.9%)	+31.8	-

Financial Results for 4Q(Jan.-Mar.) of FY 2021

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(Unit : billion yen)	FY2020	FY2021	YoY Change	
	4Q Result	4Q Result	Amount	%
Net sales	55.5	65.8	+10.2	+18.5%
Operating profit	▲ 3.4	2.6	+6.1	-
Operating margin	▲6.3%	4.0%	-	-
Ordinary Profit	▲ 1.4	5.0	+6.5	-
Profit attributable to owners of parent	▲ 3.2	4.9	+8.2	-
Exchange rate	¥104/USD ¥127/EUR	¥115/USD ¥129/EUR	-	-

4Q(Jan.-Mar.) 2021 Result by Business Segments

	Net sales (Unit: billion yen)	FY2020 4Q Result	FY2021 4Q Result	YoY change	
				Amount	%
■ Watches		23.8	28.2	+4.3	+18.2%
■ Machine Tools		14.1	20.9	+6.7	+47.4%
■ Devices and Components		12.6	12.1	▲ 0.4	▲ 3.9%
■ Electronic and Other Products		4.7	4.5	▲ 0.2	▲ 5.8%
Consolidated Total		55.5	65.8	+10.2	+18.5%
Operating Profit (Unit: billion yen, %:operating margin)					
■ Watches		▲ 4.3 (▲ 18.3%)	▲ 0.0 (▲ 0.3%)	+4.2	-
■ Machine Tools		1.4 (10.2%)	3.1 (15.2%)	+1.7	+119.4%
■ Devices and Components		0.2 (2.1%)	0.7 (6.2%)	+0.4	+184.7%
■ Electronic and Other Products		0.2 (5.1%)	0.1 (2.5%)	▲ 0.1	▲ 53.3%
Eliminations or general corporate		▲ 1.0	▲ 1.3	▲ 0.2	-
Consolidated Total		▲ 3.4 (▲ 6.3%)	2.6 (4.0%)	+6.1	-

Watches (Operating Performance)

4Q

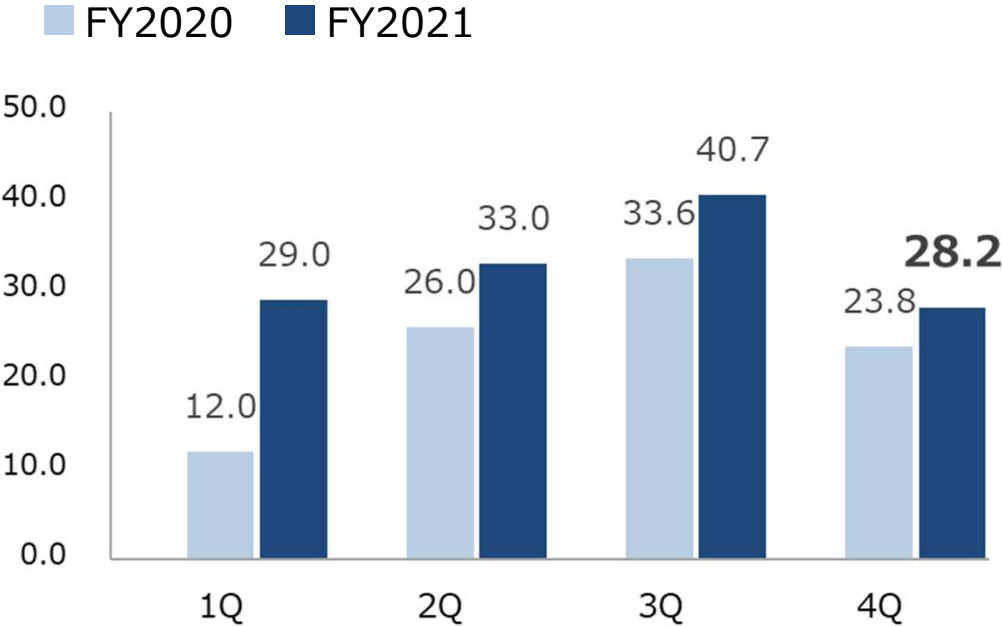
Watch sales

- Overseas market : Strong sales in North America continued to contribute to results, while the business remained steady in Europe and China.
- Domestic market : Slow progress in the recovery of consumption resulted in a limited increase.

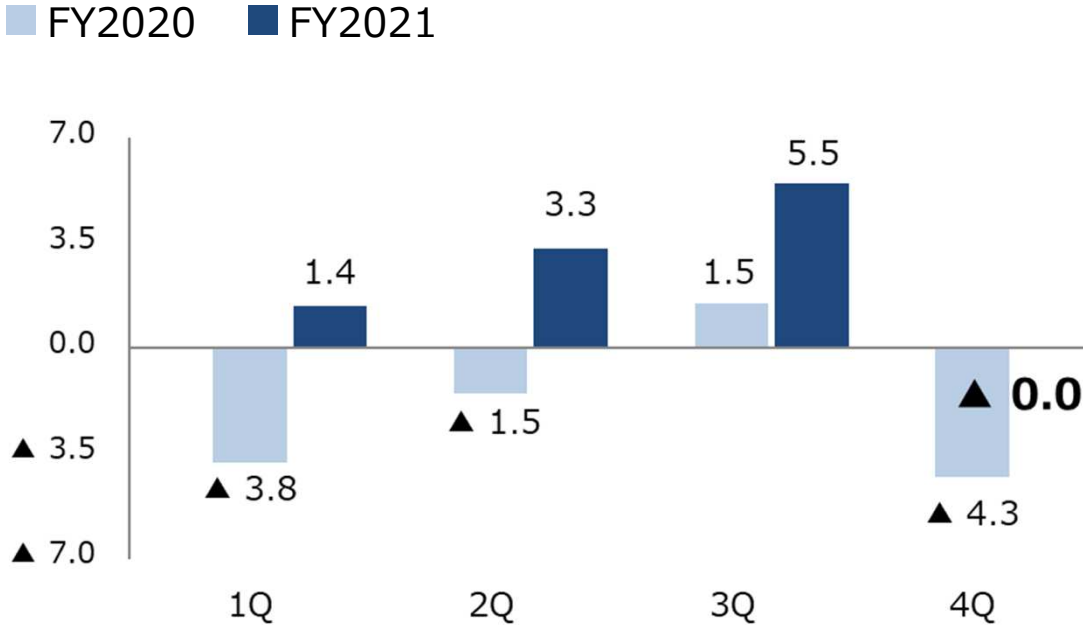
Movement sales

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

Net sales (billion yen)

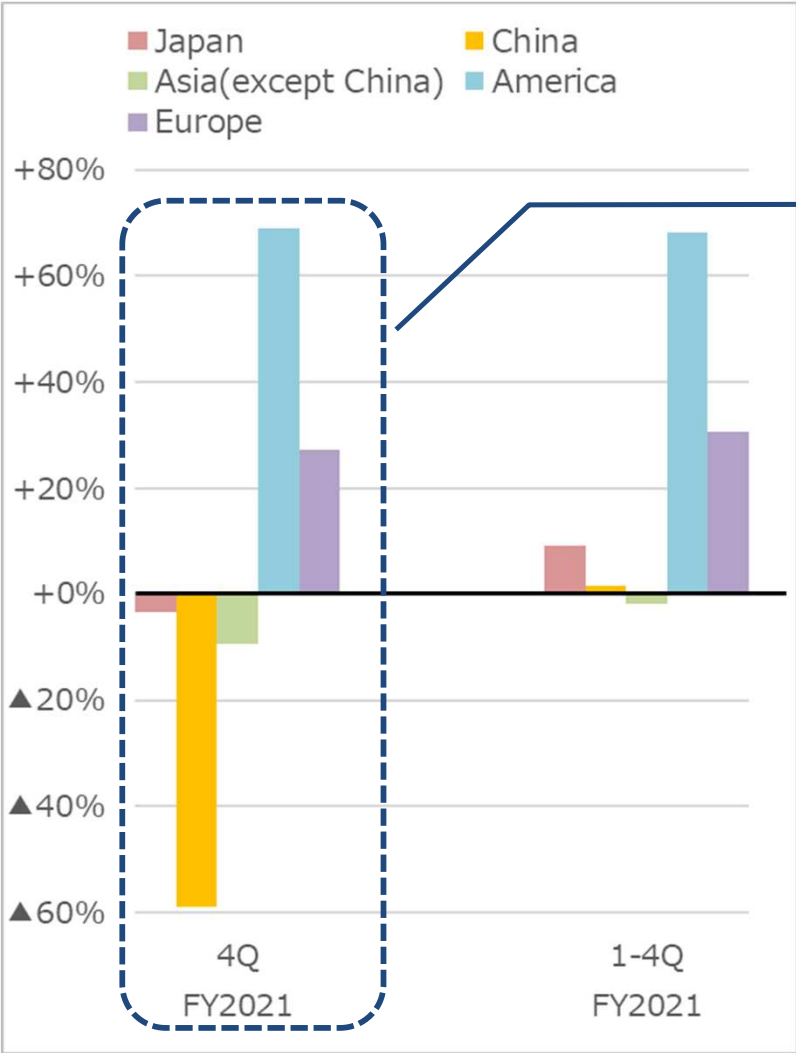


Operating profit (billion yen)



Watches Net sales growth rate by region

■ Rate of change year on year



Rate of change year on year (4Q of FY2020)

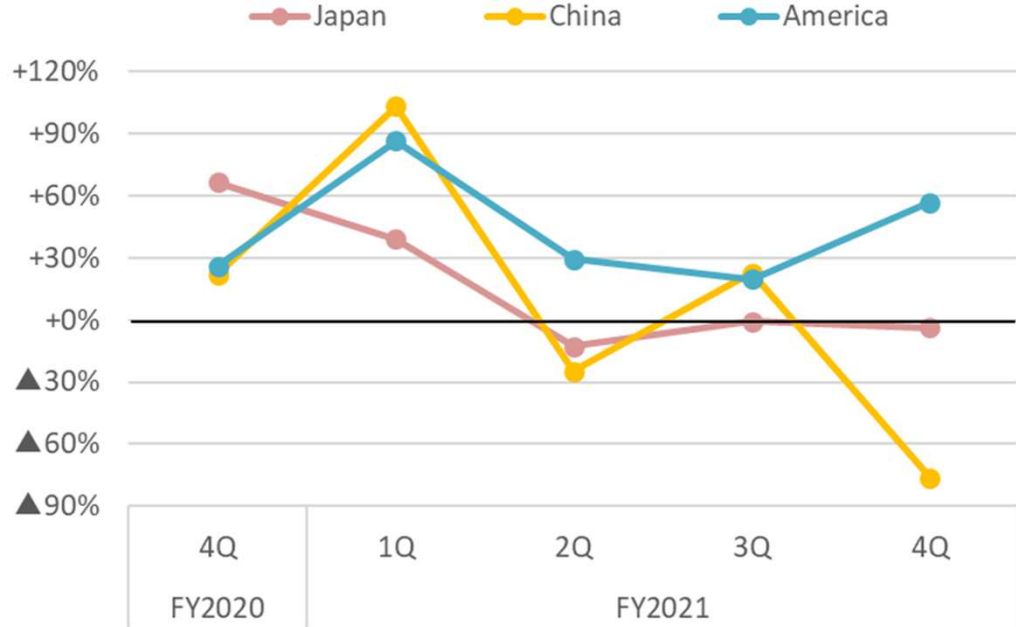
Strong performance in North America and Europe led overall
China saw a sharp decline

- Japan : Sluggish growth due to stagnant consumption activity
- China : Significant decrease due to worsening business sentiment, etc.
- Asia(except China) : Decrease in sales due to decline in consumer confidence, etc.
- 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.

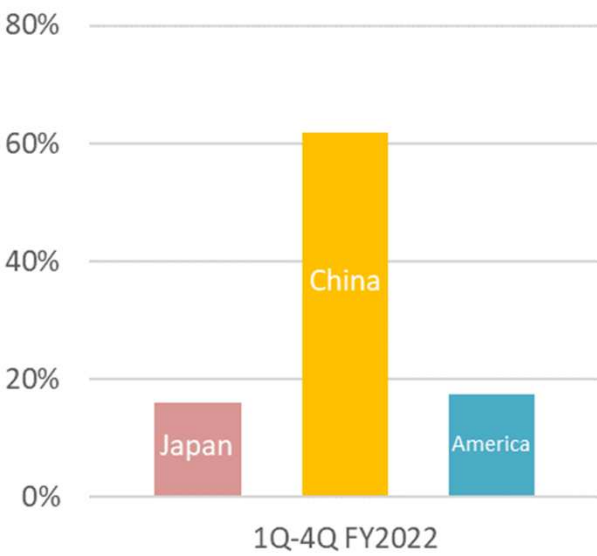
* The rate of change in total sales of CITIZEN brand watches and BULOVA brand watches only for North America. For other regions, the rate of change only in sales of CITIZEN brand watches.
 * Other Asian regions are the Asian regions excluding China.
 * Rate of change based on local currency

Watches Online sales

■ Online sales Rate of change year on year



■ Percentage of sales from online sales



■ 4Q Online sales Rate of change year on year

- **Japan** ▲4% The recovery in consumer confidence was limited after the resumption of economic activities, although sales of limited edition products remained firm.
- **China** ▲76% Sales decreased due to disruptions in distribution and stagnant consumption caused by city lockdowns, despite strong sales of collaborative models.
- **America** +57% 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.

PROMASTER



A limited edition model using a motif of a whale shark

- Citizen Promaster offering the value of imagination in addition to the high performance of a professional-use sports watch
- A limited edition Eco-Drive Diver 200m using a motif of the endangered whale shark will be released in fall/winter 2022.(5,000 units worldwide)
- Part of the sales from this model will be donated to Conservation International, an international organization dedicated to preserving nature, for its marine life protection activities.



Design of Challenge Diver updated to a modern design

- The Challenge Diver diving watch, with a unique story in Citizen's archives
- In 1983, a Challenge Diver covered with barnacles was discovered in the waters of Long Reef Beach, Australia. It was still working, without being waterlogged.
- This model maintains the design of Challenge Diver with an updated exterior and movement to modern design, which will be released in August 2022.



The self-winding diving watch, Challenge Timer, released in 1977, which was discovered in Long Reef Beach, Australia, in 1983.

CITIZEN *L*



New series featuring biomimicry

- Ambiluna, the signature line of the sustainable watch brand, CITIZEN L, designed to be friendly to the environment and people
- Four limited editions, including the 10th anniversary model with designs on the theme of earth, water, fire, and wind featuring biomimicry* adopted from biological systems and natural beauty, will be released in July 2022.

* Biomimicry: a term combining “bio-” meaning living creatures, and “mimicry,” meaning emulation, which refers to the application of findings from the structures and functions of living things to technical development

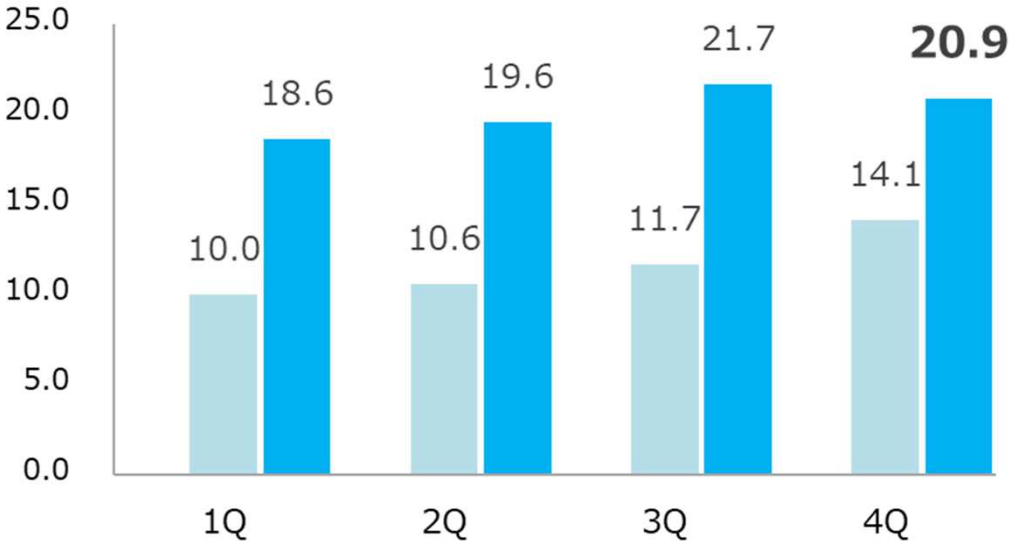
Machine Tools (Operating Performance)

4Q

- Domestic market : Sales increased thanks to strong results in a wide range of industries such as semiconductors, construction equipment, and housing facilities.
- Overseas market : Sales increased in response to strong demand for capital expenditures. Sales continued to be strong in China as well.

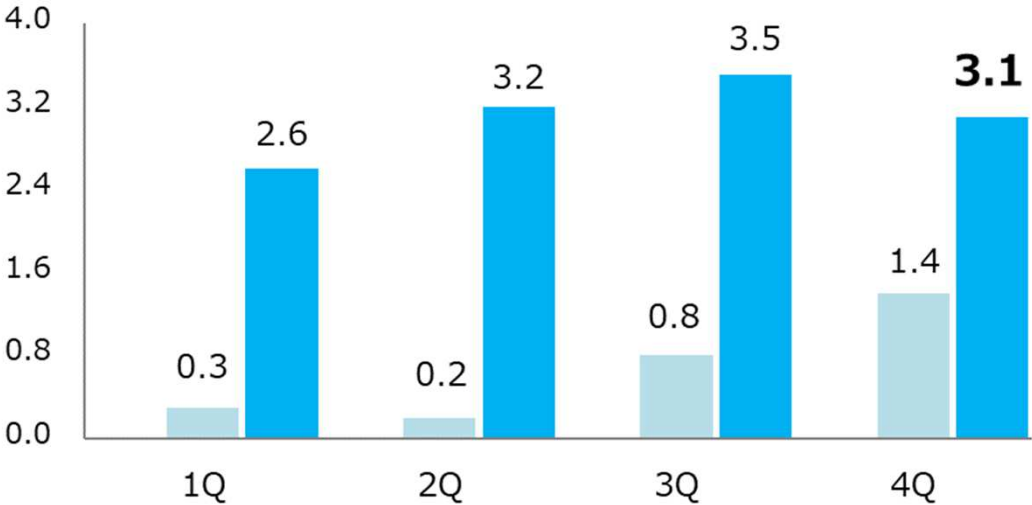
Net sales (billion yen)

FY2020年度 FY2021



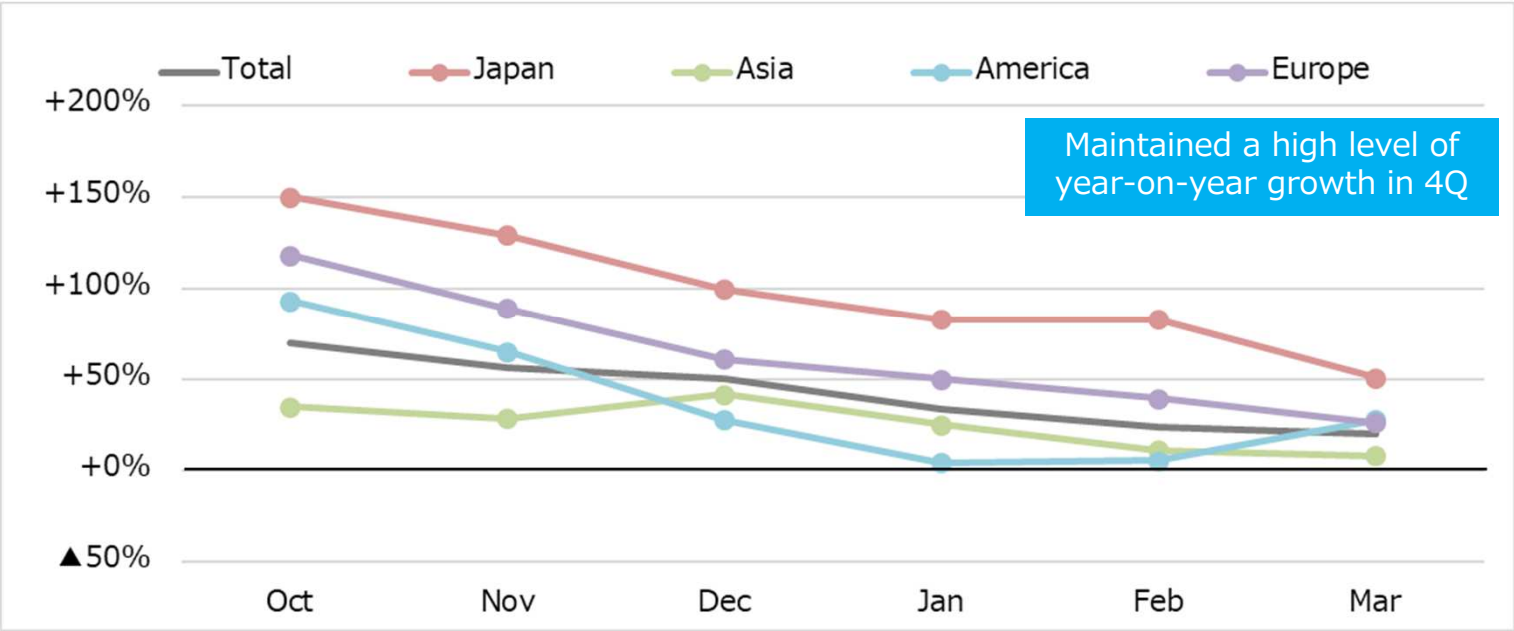
Operating profit (billion yen)

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 for 4Q (Quarterly number of units in orders

- Total +20% A robust level was maintained thanks to orders received from a wide range of industries, despite the increasingly long time for delivery due to shortages of components.
- Japan +51% 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 +8% 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 +26% Strong demand in automobile and various other industries such as medical and hydraulic products continued.

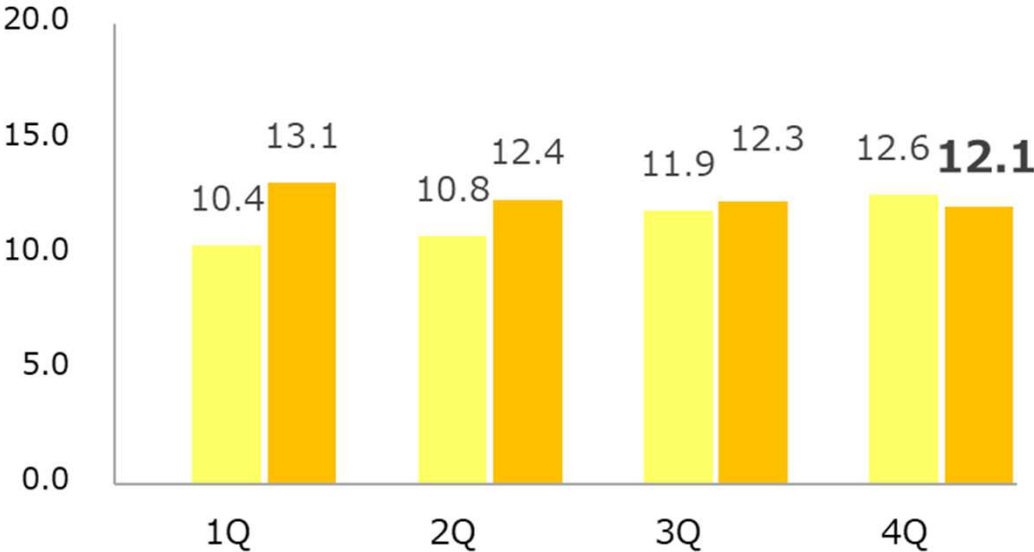
Devices and Components (Operating Performance)

4 Q

- Precision machining components:
Automotive parts business was below forecast due to production cutbacks by automakers, etc., but secured profit.
- Opto-devices : Automotive LEDs recovered, but sales declined due to a drop in LEDs for lighting
- Other products : Sales of quartz devices increased thanks to growing demand in wide-ranging industries such as IoT.
Sales of small motors used for medical and semiconductor-related products remained steady.

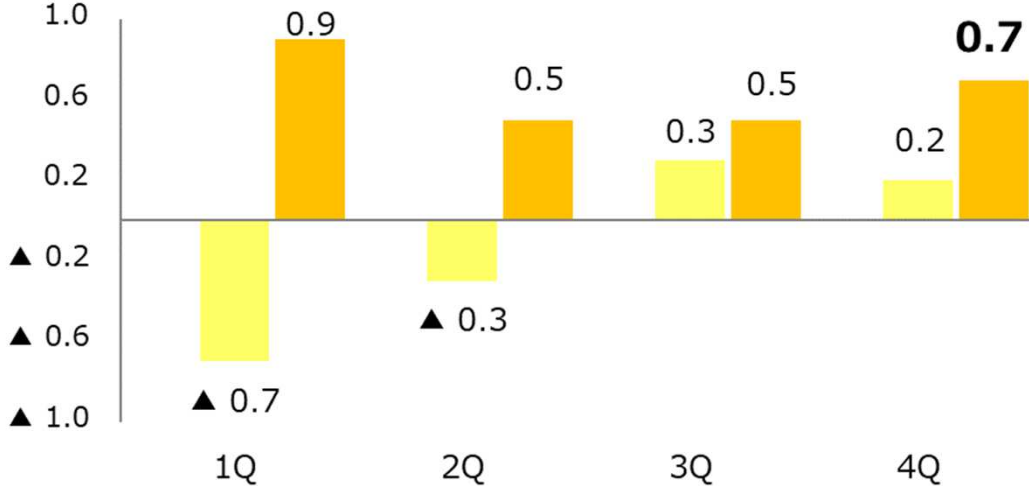
Net sales (billion yen)

FY2020 FY2021



Operating profit (billion yen)

FY2020 FY2021



FY 2022 Forecasts



Key Notes

FY 2022 Forecasts

- Watches business : expected to increase due to continued recovery in consumption
- Machine Tools : expected to increase slightly due to difficulties in procuring parts and materials, despite a high level of backlog of orders
- Operating income is expected to increase, but ordinary income and net income are expected to decrease due to the absence of expected foreign exchange gains

Dividends Forecasts

- Dividends per share 30yen (Full year)
(Second quarter 15yen / Year-end 15yen)
- Reference: Planned annual dividend for FY2021: 18 yen
(Second quarter 9 yen / Year-end 9 yen)

FY 2022 Forecasts

(Unit: billion yen)	FY2021 Result		FY2022 Forecast		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Net sales	135.7	281.4	142.5	293.5	+6.7	+12.0
Operating profit	10.6	22.2	10.5	22.5	▲ 0.1	+0.2
Operating margin	7.9%	7.9%	7.4%	7.7%	—	—
Ordinary Profit	12.0	27.3	11.0	24.0	▲ 1.0	▲ 3.3
Profit attributable to owners of parent	9.8	22.1	8.0	18.0	▲ 1.8	▲ 4.1
Exchange rate	¥110/USD ¥131/EUR	¥112/USD ¥130/EUR	¥120/USD ¥130/EUR	¥120/USD ¥130/EUR	—	—

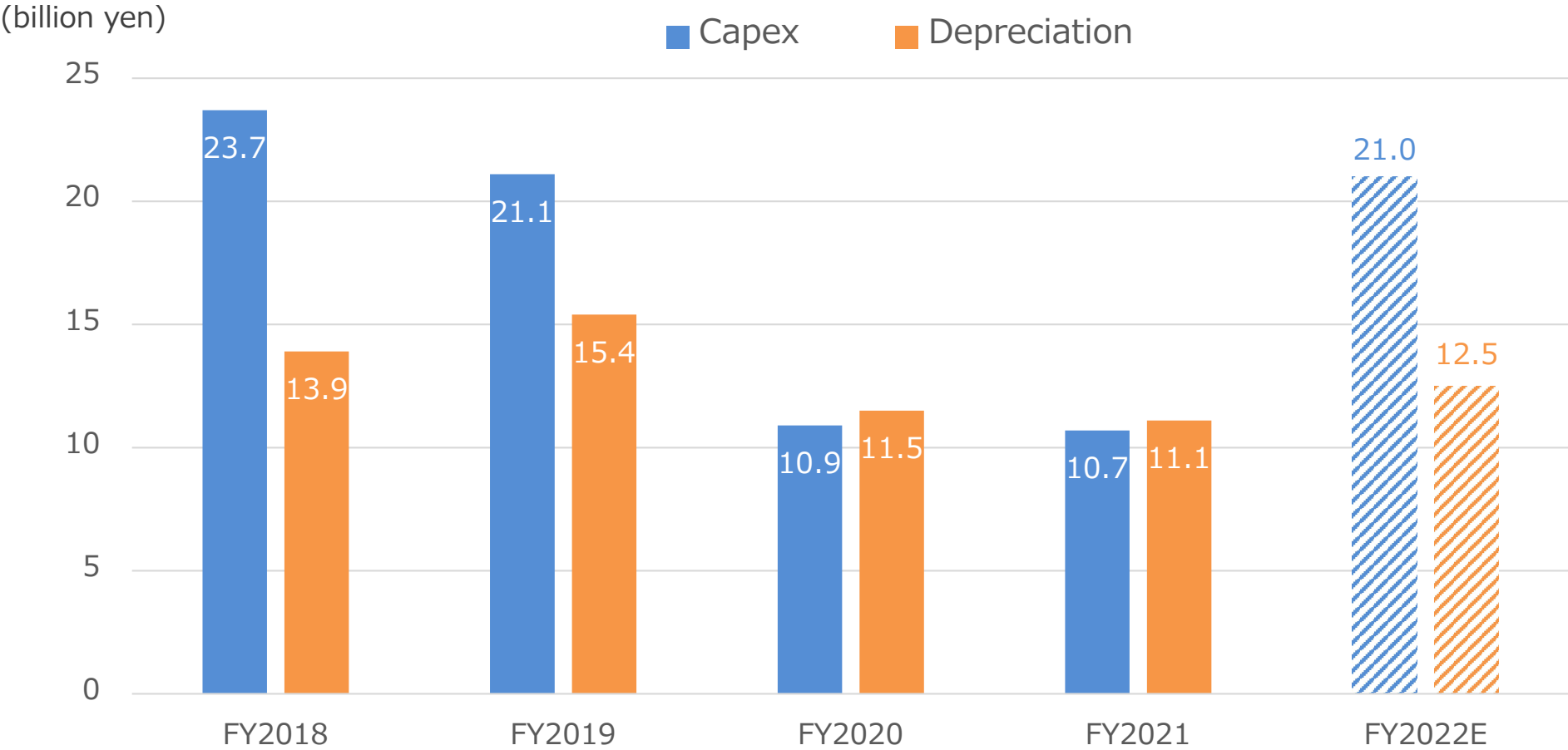
■ Exchange rate impact (1 weaker yen, Annual)

Net sales	USD	EUR	Operating profit	USD	EUR
	+0.9	+0.4		+0.25	+0.2

FY2022 Forecast by Business Segment

Net sales (Unit: billion yen)	FY2021 Result		FY2022 Forecast		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
■ Watches	62.0	131.0	68.0	142.0	+5.9	+10.9
■ Machine Tools	38.3	81.0	41.0	82.0	+2.6	+0.9
■ Devices and Components	25.5	50.0	25.0	51.0	▲ 0.5	+0.9
■ Electronic Products and Others	9.8	19.2	8.5	18.5	▲ 1.3	▲ 0.7
Consolidated Total	135.7	281.4	142.5	293.5	+6.7	+12.0
■ Watches	4.8 (7.8%)	10.3 (7.9%)	5.4 (7.9%)	11.5 (8.1%)	+0.5	+1.1
■ Machine Tools	5.8 (15.4%)	12.5 (15.5%)	6.4 (15.6%)	12.8 (15.6%)	+0.5	+0.2
■ Devices and Components	1.5 (6.0%)	2.8 (5.7%)	1.2 (4.8%)	2.9 (5.7%)	▲ 0.3	+0.0
■ Electronic Products and Others	0.7 (7.6%)	1.1 (6.1%)	0.3 (3.5%)	0.8 (4.3%)	▲ 0.4	▲ 0.3
Eliminations or general corporate	▲ 2.3	▲ 4.6	▲ 2.8	▲ 5.5	▲ 0.4	▲ 0.8
Consolidated Total	10.6 (7.9%)	22.2 (7.9%)	10.5 (7.4%)	22.5 (7.7%)	▲ 0.1	+0.2

Capital expenditures/ Depreciation



- Accelerate investment in rationalization of Watches business and growth of Machine Tools business based on "Medium-term Management Plan 2024"
- Image of investment distribution: Watches segment + Machine Tools segment over 70%

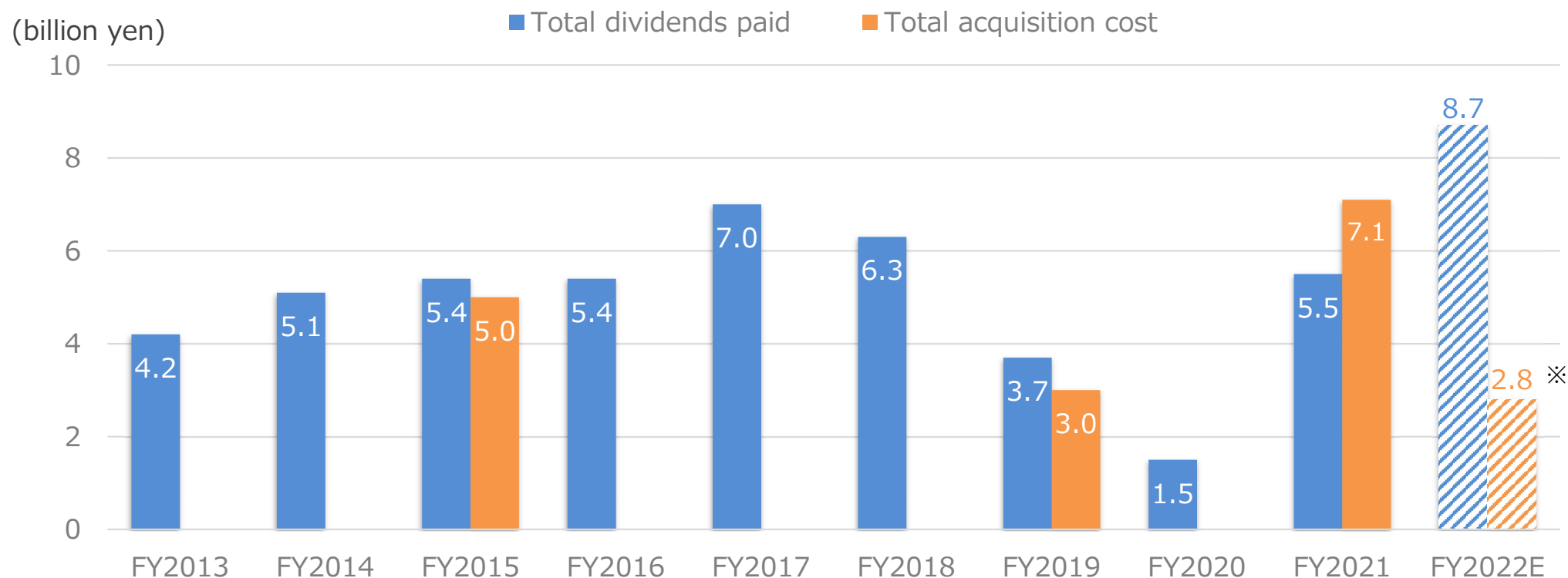
Shareholder returns

Medium-term Management Plan 2024 Dividend policy for FY2022 to FY2024

- Emphasis on continued payment of stable Dividends
- A dividend payout ratio of around 50%
- Acquisition of treasury stock: to be judged flexibly depending on the situation

Dividends forecasts for FY2022

- Dividends per share 30 yen (Full year)
(Second quarter 15yen /Year-end 15yen)
- Pay-out ratio 49.7%
- Total dividends paid 8.7 billion yen



* Board of Directors meeting held on November 25, 2021 resolved to repurchase treasury stock totaling 10 billion yen (maximum). 7.1 billion yen of treasury stock was repurchased in FY2021, and 2.8 billion yen is expected to be repurchased in FY2022.



CITIZEN

Operating performance by segment of FY2021(Compared to FY2019)

Net sales (Unit: billion yen)	FY2019 Result	FY2021 Result	YoY change	
			Amount	%
■ Watches	141.6	131.0	▲ 10.5	▲7.4%
■ Machine Tools	58.5	81.0	+22.4	+38.4%
■ Devices and Components	55.9	50.0	▲ 5.9	▲10.5%
■ Electronic and Other Products	22.4	19.2	▲ 3.1	▲14.0%
Consolidated Total	278.5	281.4	+2.8	1.0%
Operating Profit (Unit: billion yen, %:operating margin)				
■ Watches	3.9 (2.8%)	10.3 (7.9%)	+6.3	+161.7%
■ Machine Tools	7.2 (12.4%)	12.5 (15.5%)	+5.3	+73.4%
■ Devices and Components	0.9 (1.7%)	2.8 (5.7%)	+1.9	+209.1%
■ Electronic and Other Products	▲ 0.2 (▲1.0%)	1.1 (6.1%)	+1.3	-
Eliminations or general corporate	▲ 5.7	▲ 4.6	+1.1	-
Consolidated Total	6.1 (2.2%)	22.2 (7.9%)	+16.1	+263.0%

Balance Sheet

	March 31, 2021	March 31, 2022	Change from end of previous fiscal year		March 31, 2021	March 31, 2022	Change from end of previous fiscal year
(Unit: billion yen)				(Unit: billion yen)			
Current assets	244.4	270.1	+25.6	Liabilities	152.9	156.2	+3.3
Cash and deposits	101.8	110.9	+9.0	Interest-bearing debt	74.8	66.1	▲ 8.7
inventories	90.2	97.0	+6.7				
Non-current assets	121.3	124.8	+3.4	Net assets	212.8	238.6	+25.8
Property, plant and equipment	75.9	74.8	▲ 1.0	Shareholders' equity	193.7	204.0	+10.3
Investment securities	33.3	37.2	+3.9	Foreign currency translation adjustment	4.8	16.6	+11.7
Total assets	365.8	394.9	+29.1	Total liabilities and net assets	365.8	394.9	+29.1

Statement of Cash Flow

	1H20	2H21	YoY Change
<i>(Unit: billion yen)</i>			
Cash flow from operating activities	15.1	19.5	+4.4
Cash flow from investing activities	▲ 3.9	▲ 5.5	▲ 1.6
Free cash flow	11.1	13.9	+2.8
Cash flow from financial activities	▲ 1.5	▲ 18.3	▲ 16.8
Balance of cash and cash equivalents	110.3	111.2	+0.9

