

CITIZEN

Earning Presentation

for the Year ended March 31, 2021

CITIZEN WATCH CO., LTD.

May 13, 2021

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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Financial Results for FY 2020

Full-year financial results for FY2020

- Recorded a significant sales and profit decline due to the impact of the COVID-19 pandemic.
- Recorded a net loss of 25.1 billion yen, reflecting the posting of an extraordinary loss due to the reversal of deferred tax assets and implementation of structural reform, among other factors.

Financial Results for 4Q(Jun.-Mar.) of FY 2020

- Achieved an increase in sales and a decrease in the deficit because the Machine Tools segment and the Devices and Components segment exceeded expectations.

FY 2021 Forecasts

- Results are expected to recover for the Machine Tools segment and the Watches segment.
- Net Sales 260.0 billion yen(YoY change: +53.3 billion yen)
Operating profit 10.0 billion yen(YoY change: +19.5 billion yen)

Dividends Forecasts

- Annual dividend per share: 14.00 yen

Financial Results for FY 2020

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(Unit : billion yen)	FY2019 Result	FY2020 Result	YoY Change Amount	FY2020 2/10E
Net sales	278.5	206.6	▲ 71.8	204.0
Operating profit	6.1	▲ 9.5	▲ 15.6	▲ 10.5
Operating margin	2.2%	▲ 4.6%	-	▲ 5.1%
Ordinary Profit	7.5	▲ 4.1	▲ 11.6	▲ 6.5
Profit attributable to owners of parent	▲ 16.6	▲ 25.1	▲ 8.5	▲ 30.0
Exchange rate	¥109/USD ¥121/EUR	¥106/USD ¥123/EUR	-	¥106/USD ¥122/EUR

- Non-operating income: Posted a foreign exchange gain of 0.8 billion yen
- Extraordinary profit: 2.7 billion yen (Gain on sales of investment securities, gain on sales of non-current assets, etc.)
- Extraordinary loss: 12.3 billion yen (Structural reform expenses, losses due to the COVID-19 pandemic, impairment losses, etc.)
- Posted 10.7 billion yen in income taxes - deferred due to the reversal of deferred tax assets.

Financial results by Business Segments

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Net sales (Unit: billion yen)		FY2018 Result	FY2019 Result	YoY change Amount	FY2020 2/10E
■	Watches	141.6	95.6	▲ 45.9	95.5
■	Machine Tools	58.5	46.7	▲ 11.8	45.5
■	Devices and Components	55.9	45.9	▲ 10.0	45.0
■	Electronic and Other Products	22.4	18.3	▲ 4.0	18.0
Consolidated Total		278.5	206.6	▲ 71.8	204.0
Operating Profit (Unit: billion yen, %:operating margin)					
■	Watches	3.9 (2.8%)	▲ 8.1 (▲8.6%)	▲ 12.1	▲ 8.0 (▲8.4%)
■	Machine Tools	7.2 (12.4%)	2.9 (6.3%)	▲ 4.3	2.5 (5.5%)
■	Devices and Components	0.9 (1.7%)	▲ 0.4 (▲1.1%)	▲ 1.4	▲ 1.0 (▲2.2%)
■	Electronic and Other Products	▲ 0.2 (▲1.0%)	0.3 (2.1%)	+0.6	0.2 (1.1%)
Eliminations or general corporate		▲ 5.7	▲ 4.1	+1.5	▲ 4.2
Consolidated Total		6.1 (2.2%)	▲ 9.5 (▲4.6%)	▲ 15.6	▲ 10.5 (▲5.1%)

Watches (Operating Performance)

4 Q

Watch sales

- Overseas market: Sales continued to be strong in China. Online sales growth in North America. Europe remained sluggish due to restrictions on activities and other factors.
- Domestic market: Sales of new products, among other products, remained solid despite a decline in overall consumer interest.

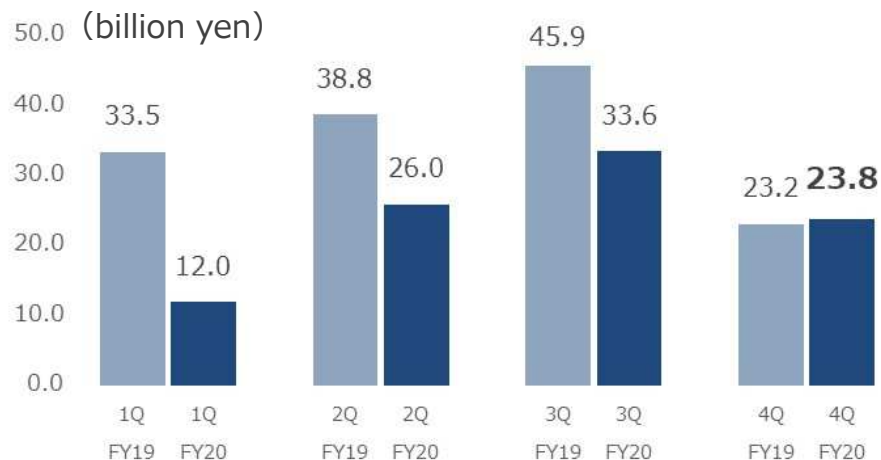
Movement sales

- Sales of mechanical movements remained firm. Analog quartz maintained the recovery trend.

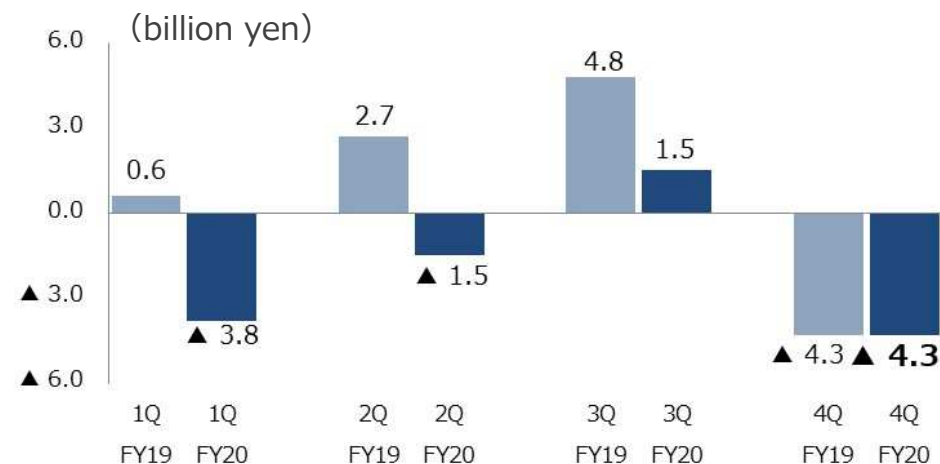
Full year

- Sales of finished products decreased sharply due to a significant fall in demand in the mainstay domestic and North American markets. Implemented structural reform for the movement business.

Net sales



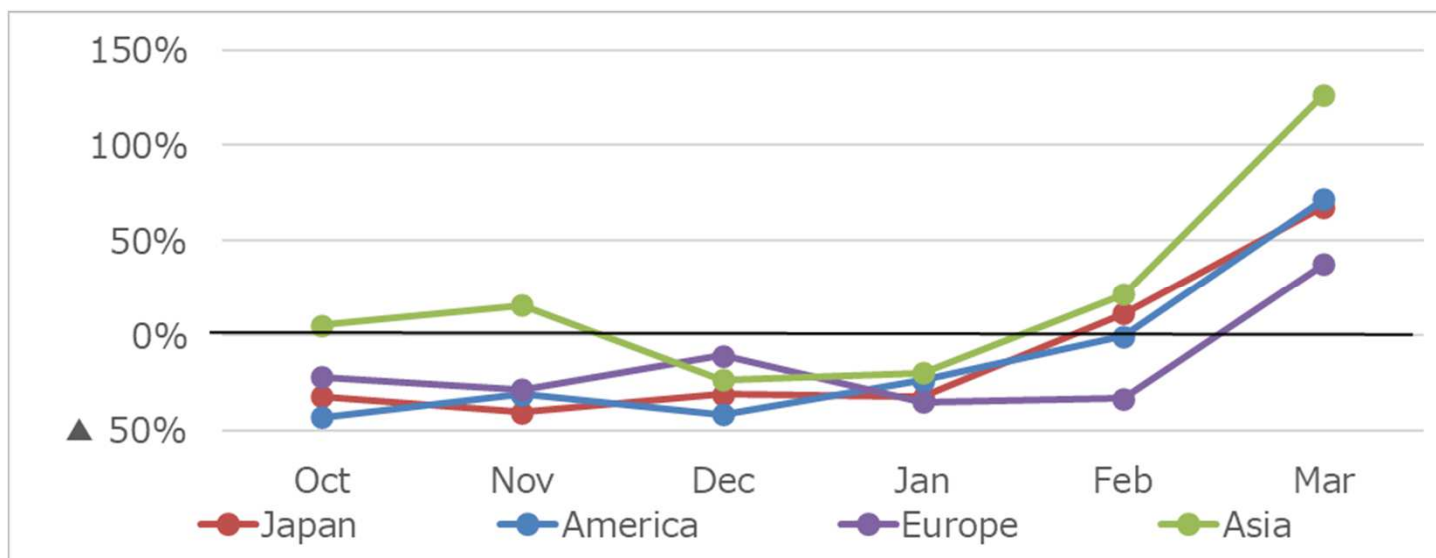
Operating profit



Watches Sales Conditions by Region

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■ Rate of change year on year (on a local-currency basis)



■ Rate of change year on year (on a local-currency basis)

	4Q	
■ Japan	+9%	Sales were sluggish as COVID-19 started to spread again. Even so, domestic demand remained on a recovery path.
■ America	+1%	Sales remained at the year-ago level, helped by strong online sales
■ Europe	▲20%	Faced difficulties due to the suspension of operations in many areas. Results in Italy and Spain were better than the previous year in which lockdowns were implemented.
■ Asia	+22%	In addition to strong online sales, real store sales were also on an upward trend in China. Other Asian regions including Hong Kong and Taiwan also showed a recovery trend.

- 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.

4Q

- Domestic market: Sales remained slow due to a cautious stance on capital investment. Even so, orders were on a recovery trend.
- Overseas market: Asian regions, mainly China, remained strong. Results were also on an upward trend in Europe and the Americas.

Full year

- Both net sales and operating profit decreased due to weak demand for capital investment in the first half. However, overseas markets, particularly China, recovered quickly.

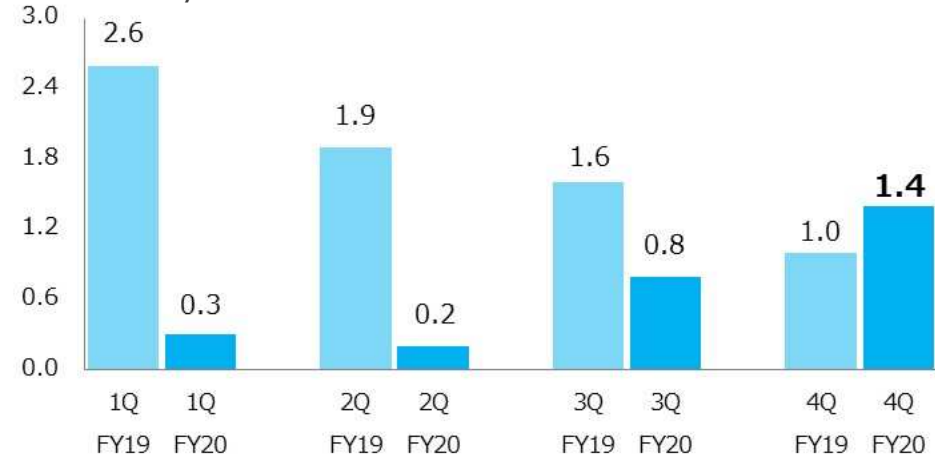
Net sales

(billion yen)



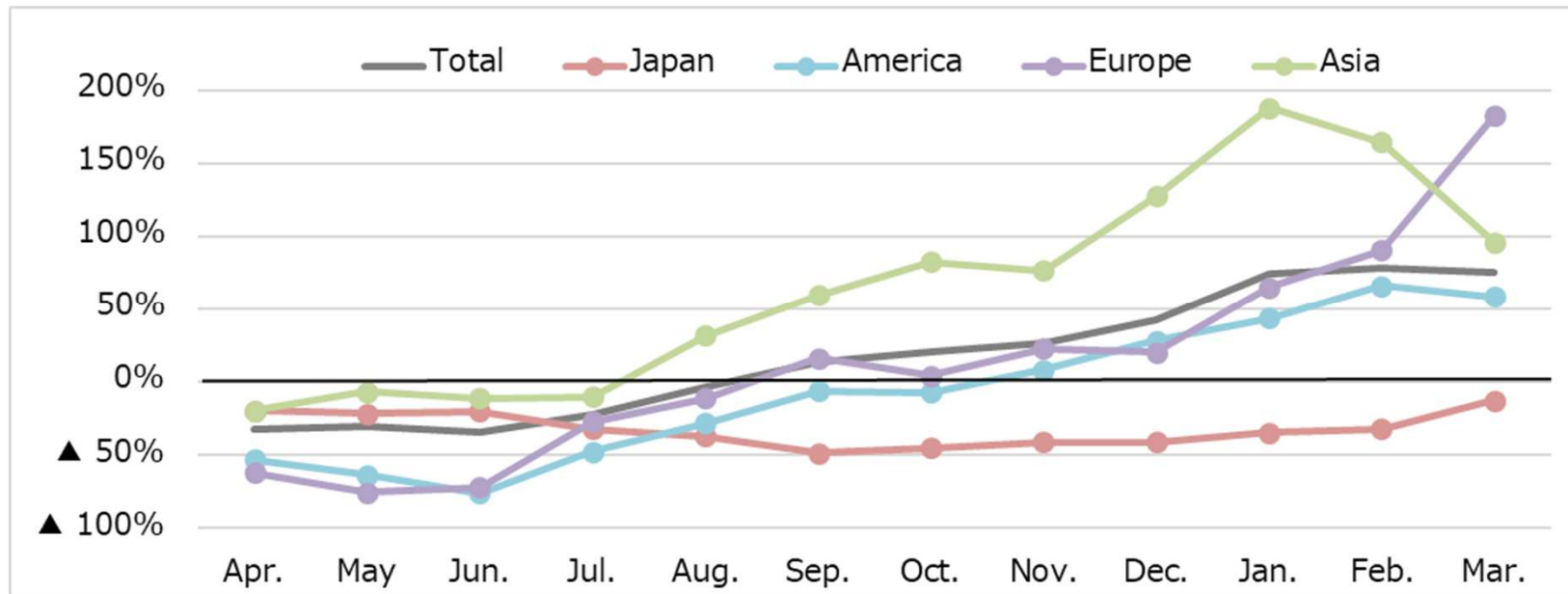
Operating profit

(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)



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

	4Q	
● Total	+76%	
● Japan	▲12%	Orders were on a modest upward trend, although the recovery was slow due to a cautious stance on capital investment.
● America	+59%	Orders, particularly those related to medical demand, recovered quickly. Orders for job shops applications also increased significantly.
● Europe	+183%	Orders from the automobile-related business increased significantly. Orders from other businesses such as machinery and equipment also remained strong.
● Asia	+97%	Order were recovering, mainly reflecting the restart of equipment installation that had been postponed. China also continued to perform strongly.

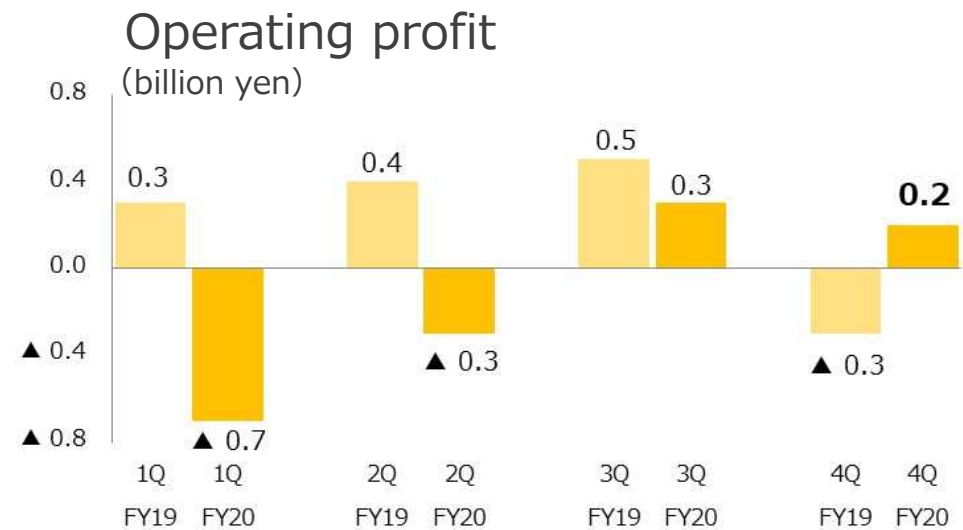
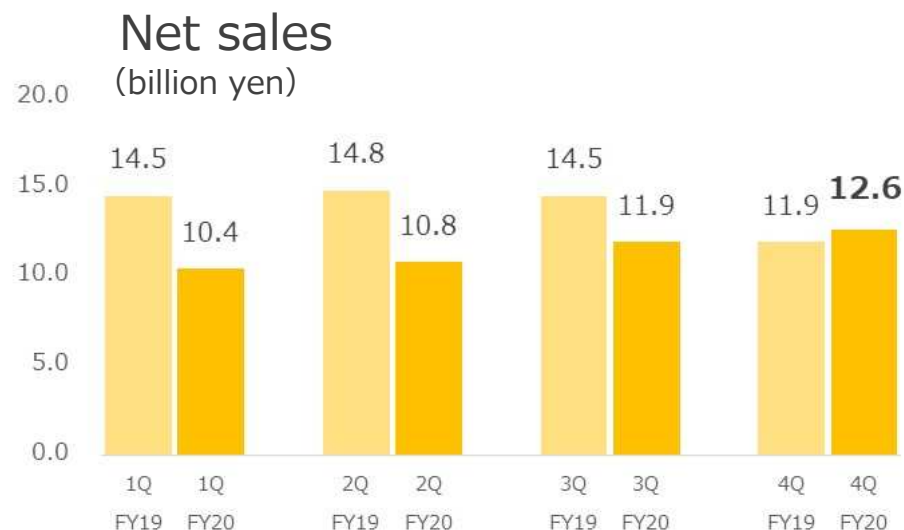
Devices and Components (Operating Performance) CITIZEN

4Q

- Precision machining components:
Automobile components grew, reflecting an increase in the number of new cars sold. Switches also showed a recovery trend.
- Opto-devices: LED for lighting equipment recovered in terms of orders. In-vehicle LED, among other devices, contributed to an increase in sales.

Full year

- LED for lighting equipment performed poorly although precision machining components remained firm in the second half.











FY 2021 Forecasts

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(Unit: billion yen)	FY2020	FY2021	YoY Change	
	Result	Forecast	%	Amount
Net sales	206.6	260.0	+25.8%	+53.4
Operating profit	▲ 9.5	10.0	-	+19.5
Operating margin	▲4.6%	3.8%	-	-
Ordinary Profit	▲ 4.1	11.0	-	+15.1
Profit attributable to owners of parent	▲ 25.1	9.0	-	+34.1
Exchange rate	¥106/USD ¥123/EUR	¥105/USD ¥125/EUR	-	-

FY2021 Forecast by Business Segment

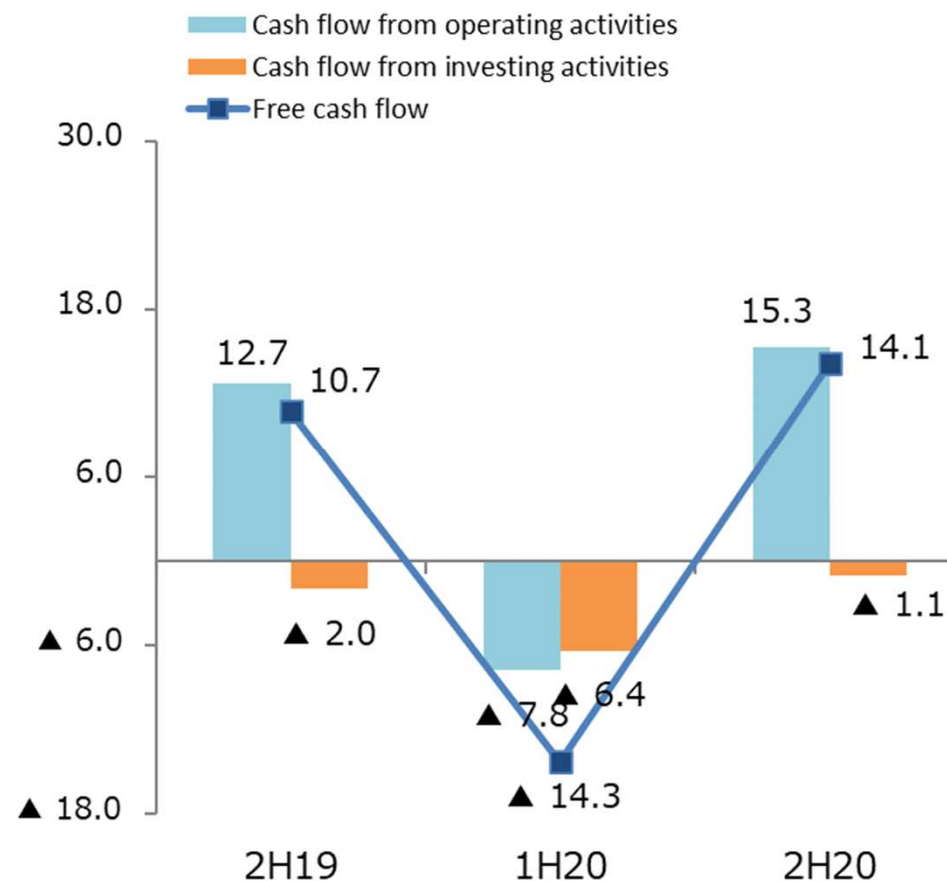
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Net sales		FY2020 Result	FY2021 Forecast	YoY Change	
(Unit: billion yen)				%	Amount
 Watches		95.6	124.0	+29.7%	28.4
 Machine Tools		46.7	67.0	+43.4%	20.3
 Devices and Components		45.9	51.0	+11.1%	5.1
 Electronic and Other Products		18.3	18.0	▲2.1%	▲ 0.3
Consolidated Total		206.6	260.0	+25.8%	53.4
Operating Profit (Unit: billion yen, %:operating margin)					
 Watches		▲ 8.1 (▲8.6%)	4.0 (3.2%)	-	12.1
 Machine Tools		2.9 (6.3%)	9.0 (13.4%)	+206.6%	6.1
 Devices and Components		▲ 0.4 (▲1.1%)	1.5 (2.9%)	-	1.9
 Electronic and Other Products		0.3 (2.1%)	0.5 (2.8%)	+26.8%	0.2
Eliminations or general corporate		▲ 4.1	▲ 5.0	-	▲ 0.9
Consolidated Total		▲ 9.5 (▲4.6%)	10.0 (3.8%)	-	19.5

Statement of Cash Flow

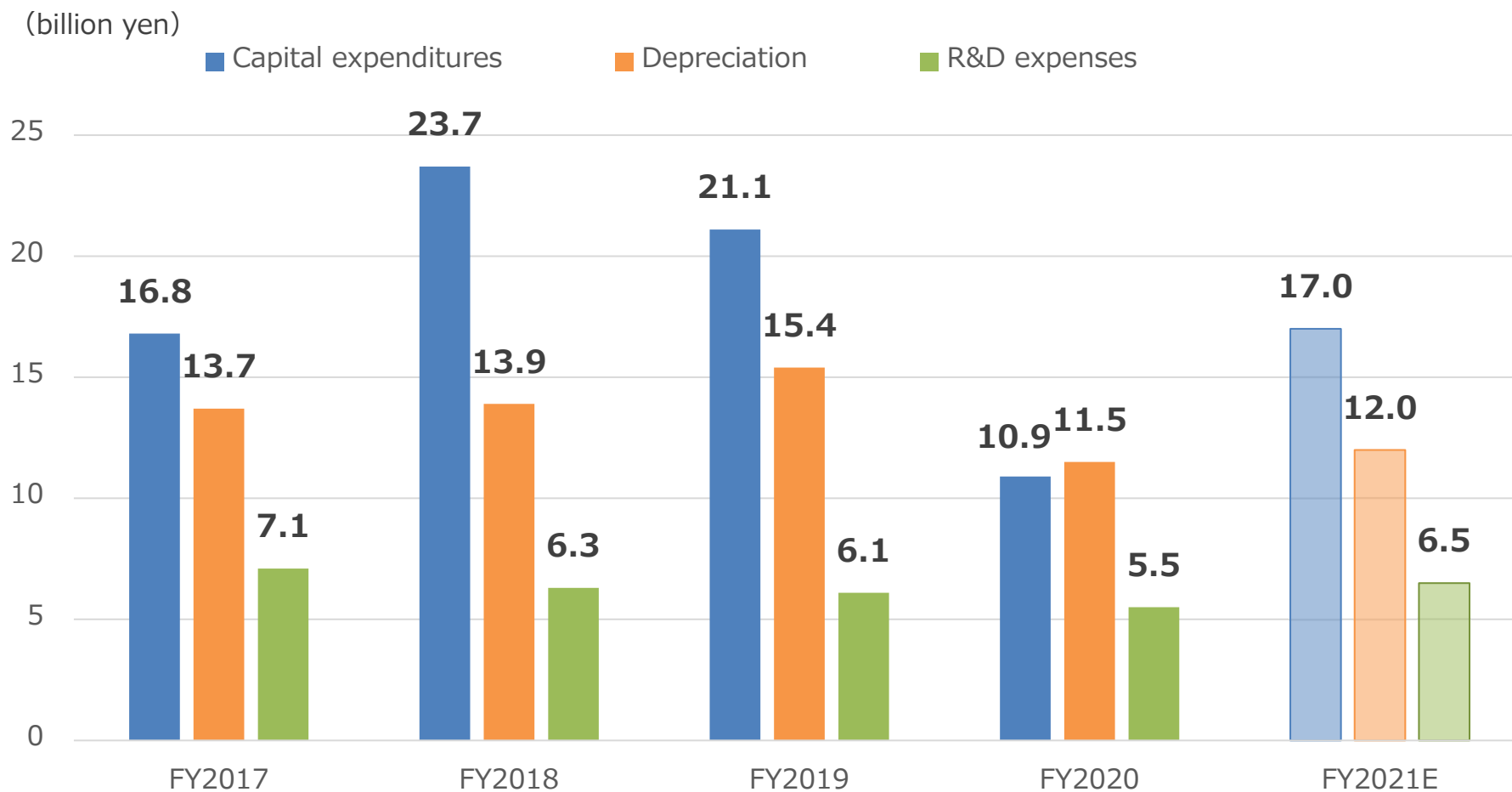
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	1H20	2H20	YoY Change
(Unit: billion yen)			
Cash flow from operating activities	▲ 7.8	15.3	+23.2
Cash flow from investing activities	▲ 6.4	▲ 1.1	+5.2
Free cash flow	▲ 14.3	14.1	+28.4
Cash flow from financial activities	33.3	▲ 15.0	▲ 48.4
Balance of cash and cash equivalents	97.6	99.5	+1.9



- Cash flow from operating activities: Increased due to improved profitability and inventory reductions in a range of businesses centered on the Watches segment.
- Cash flow from investing activities: Increased due to sale of part of cross-share holdings and fixed asset.

Capital expenditures/ Depreciation/ R&D expenses CITIZEN



- Capital expenditures:
Made investments with a focus on priority and important projects regarding Watches while continuing investments as usual with respect to Machine Tools, Devices and Components, and Electronic and Other Products.

	Medium-Term Management Plan (FY2021)	Forecast for Financial Results (FY2021)
Net sales	370.0 billion yen	260.0 billion yen
Operating profit	30.0 billion yen	10.0 billion yen
ROE	8.0%	4.0%

*ROE = Annual net profit/Net worth

- Market conditions changed significantly compared with those assumed in the Medium-Term Management Plan 2021. In particular, the market environment deteriorated for the Watches segment.
 - Global reductions in operations at physical stores, coupled with store closings
 - Disappearance of demand for inbound tourism in Japan
- The market environment of the Watches segment is improving gradually in fiscal 2021. Even so, with the impact of the COVID-19 pandemic expected to continue, net sales, operating profit and ROE set forth in the Medium-Term Management Plan will fall short of the targets.

Strengthening of EC sales

- America: The ratio of online sales rose and direct online sales expanded.
- Japan: Launched direct online sales, the AI-based watch recommendation service and the FTS service.
- China: Sales increased year on year due to strengthened product lines for main online sales seasons. Cross-border online sales remained solid as well.

Rebuilding of the movements business

- Optimized the production scale due to a fall in demand for analog quartz movements.
- Cut the cost of mechanical movements by facilitating the rationalization and automation of production

Enhancement of the business of mechanical

- Developed a new mechanical Caliber 0200 movement by leveraging the technology of Switzerland-based La Joux-Perret.
- Worked on a global launch of the CITIZEN watch equipped with the new mechanical Caliber 0200 movement.
- Worked on a global launch of Series 8, a new mechanical watch brand.



Online-based initiatives

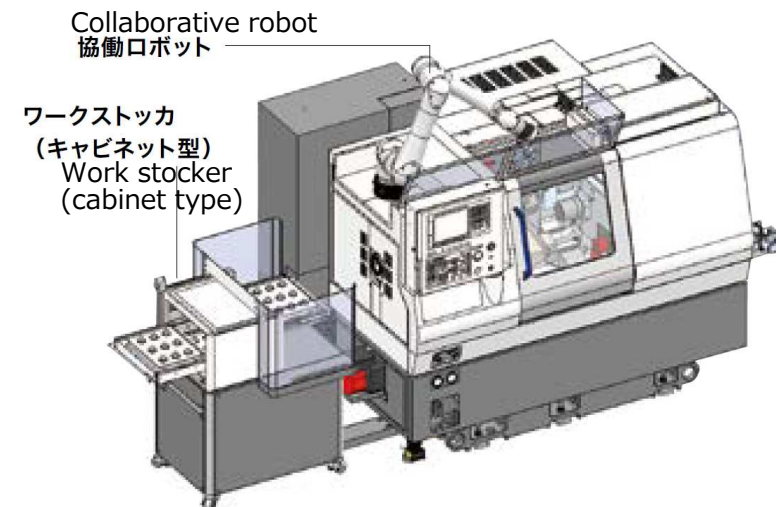
- Held online-based private exhibitions and showed new products, processing technologies, etc.
- Provided online-based operation monitoring system and programming training.

Strengthening of production capacity in China

- Working on the relocation and expansion of the existing factory in China in 2021 summer in response to higher demand in the Chinese market. A1

Further automation and labor-saving in products

- Developed products in which a collaborative robot (FA-friendly) system is adopted.
- Developed an original automatic tool changer (ATC) with the capability to handle complicated processing quickly and efficiently.
(Received the Machinery Industrial Design Award (IDEA) of the Nikkan Kogyo Shimbun)



スライド 17

A1

TA: 「新工場に移転」について、既存の工場が現状よりも大規模な形で移転するという解釈であっているかご確認ください。「生産力増強」についてはタイトルにほぼ同じ内容があるため、繰り返しにならないよう省いています。

作成者, 2021/05/13

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Balance Sheet

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	March 31, 2020	March 31, 2021	Change from end of previous fiscal year		March 31, 2020	March 31, 2021	Change from end of previous fiscal year
(Unit: billion yen)				(Unit: billion yen)			
Current assets	235.6	244.4	+8.7	Liabilities	138.7	152.9	+14.1
Cash and deposits	80.1	101.8	+21.6	Interest-bearing debt	55.1	74.8	+19.7 ②
① inventories	101.1	90.2	▲ 10.9				
Non-current assets	133.9	121.3	▲ 12.5	Net assets	230.7	212.8	▲ 17.9
Property, plant and equipment	78.5	75.9	▲ 2.5	Shareholders' equity	220.1	193.7	▲ 26.4
Investment securities	33.4	33.3	▲ 0.1	Foreign currency translation adjustment	▲ 1.0	4.8	+5.9
Total assets	369.5	365.8	▲ 3.7	Total liabilities and net assets	369.5	365.8	▲ 3.7

- ① Decline in inventories, mainly those in the Watches and Machine Tools segments
- ② Increase in interest-bearing debt due to long-term borrowings

Financial Results for 4Q(Jan.-Mar.) of FY 2020

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(Unit : billion yen)	4Q 2019 Result	4Q 2020 Result	YoY Change Amount	4Q 2019 2/10E
Net sales	53.5	55.5	+1.9	52.8
Operating profit	▲ 5.0	▲ 3.4	+1.6	▲ 4.4
Operating margin	▲9.5%	▲6.3%	-	▲8.4%
Ordinary Profit	▲ 4.8	▲ 1.4	+3.3	▲ 3.8
Profit attributable to owners of parent	▲ 23.6	▲ 3.2	+20.4	▲ 8.0
Exchange rate	¥109/USD ¥120/EUR	¥104/USD ¥127/EUR		¥105/USD ¥125/EUR

4Q(Jan.-Mar.) 20 Result by Business Segments

	Net sales (Unit: billion yen)	FY2019	FY2020	YoY Change	FY2020
		4Q Result	4Q Result	Amount	4Q 2/10E
■ Watches		23.2	23.8	+0.5	23.7
■ Machine Tools		13.3	14.1	+0.8	12.9
■ Devices and Components		11.9	12.6	+0.6	11.7
■ Electronic and Other Products		4.9	4.7	▲ 0.1	4.4
Consolidated Total		53.5	55.5	+1.9	52.8
	Operating Profit (Unit: billion yen, %:operating margin)	FY2019	FY2020	YoY Change	FY2020
		4Q Result	4Q Result	Amount	4Q 2/10E
■ Watches		▲ 4.3 (▲18.7%)	▲ 4.3 (▲18.3%)	+0.0	▲ 4.1 (▲17.6%)
■ Machine Tools		1.0 (7.8%)	1.4 (10.2%)	+0.4	1.0 (7.8%)
■ Devices and Components		▲ 0.3 (▲3.0%)	0.2 (2.1%)	+0.6	▲ 0.2 (▲2.1%)
■ Electronic and Other Products		▲ 0.2 (▲4.6%)	+0.2 (5.1%)	+0.4	0.0 (1.1%)
Eliminations or general corporate		▲ 1.1	▲ 1.0	+0.0	▲ 1.0
Consolidated Total		▲ 5.0 (▲9.5%)	▲ 3.4 (▲6.3%)	+1.6	▲ 4.4 (▲8.4%)